

## THE INFLUENCE OF AUDITOR INDEPENDENCE, COMPETENCE AND ETHICS ON AUDIT QUALITY WITH AUDIT FEES AS A MODERATION VARIABLE

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### Abstract

This study aims to analyze the influence of auditor independence, competence, and ethics on audit quality with audit fees as a moderation variable. This study uses a quantitative approach with a data collection method through questionnaires distributed to Public Accounting Firms in DKI Jakarta Province. The purposive sampling technique is used in the selection of respondents to ensure the relevance and quality of the data obtained. Data analysis was carried out using descriptive statistical methods and Structural Equation Modelling (SEM) through Partial Least Square (PLS). Descriptive statistics provide an overview of the characteristics of respondents, while PLS is used to assess the outer model and the inner model. The results of the study show that the independence, competence, and ethics of auditors have a positive and significant influence on audit quality. In addition, audit fees have been proven to moderate the relationship between independence, competence, and ethics of auditors to audit quality. These findings emphasize the importance of independence and ethics in improving the quality of the audits produced.

Keywords: Independence, Competence, Auditor Ethics, Audit Quality, Audit Fee

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### 1. Introduction

Financial statements provide information necessary for decision-making by internal and external parties of the company. In order for financial statements to be trusted, financial statements must go through an audit process by a public accountant that ensures their compliance, as opposed to unaudited or unaudited financial statements. In the Undang-Law of the Republic of Indonesia Number 5 of 2011 concerning Public Accountants, Public Accountants are explained that Public Accountants are a profession whose main service is insurance services and the results of their work are widely used by the public as one of the important considerations in decision-making.

Therefore, public accountants support public trust to later provide opinions on financial statements or other information published by entities. Audit quality is an important factor that enables the implementation of quality audits consistently by public accountants through KAP, by complying with the code of ethics and professional standards as well as applicable legal regulations (IAPI, 2018).

Audit quality can be determined by the existence of independence and competence (Charistiawan, 2002). De Angelo, (1981) in Khusharyanti, (2003) explains that audit quality is the probability that the auditor will find and report fraud and violations in the client's accounting system. In addition, Deis & Groux, (1992) explained that the probability of finding a violation depends on the independence of the auditor. It is likely that auditors will find misstatements depending on the quality of the auditor's understanding, namely competence, in addition to reporting misstatements depends on independence.

Wulandari et al., (2017) explained that a good and quality audit can be achieved if an auditor has adequate independence. In addition, Harahap, (2018) explained that a quality audit can be achieved if an auditor also has adequate competence. The higher the independence and competence of an auditor, it can affect the quality of the audit (Dwimilten & Riduwan, 2015).

In addition, auditor ethics is very vital in improving audit quality. Ethics play an important role in the audit process because an accountant is responsible as a trustworthy provider of information for business decision-making.

One of the other things that affects the quality of the audit is the audit fee. Good audit quality is formed by the existence of audit fees (Dewata., et al. 2021). A study conducted by Palmrose, (1986) showed that audit firms charge higher fees for better audit quality. The higher the audit quality required by institutional investors, the higher the audit fee (Clarksin et al., 2006).

Ironically, the great trust of financial statement users in public accountants is often hurt by many scandals. Several cases involving auditors have occurred frequently in recent years. Cases of accounting irregularities in Indonesia have occurred in various companies such as PT Kereta Api Indonesia, PT Telkom, PT Kimia Farma, and most recently Garuda Indonesia.

The case of Garuda Indonesia related to the 2018 financial statements shows the failure of auditors in carrying out their duties. As a result, the Ministry of Finance sanctioned Public Accountant Kasner Sirumapea in the form of freezing permits for 12 months. These events have cast doubt on the integrity of an auditor and resulted in low quality of audit results. What's more, these cases involve leading public accounting firms at the national level, as happened in Jakarta.

Several studies related to audit quality have been conducted by Listyowati., et al. (2021), Widowati., et al. (2020), Meidawati & Assidiqi, (2019), Pramesti., et al. (2021), Xin, (2021). This study combines several independent variables that have been studied previously, such as independence, competence, and auditor ethics. In addition, this study also added the audit fee variable as a moderation variable.

A number of previous studies have also shown inconsistent results, such as research conducted by Listyowati., et al. (2021) independence has a positive and significant influence on audit quality. In contrast to the research of Widowati., et al. (2020) independence has a negative and insignificant effect on audit quality.

There is also a study conducted by Meidawati & Assidiqi, (2019) that competence has a positive effect on audit quality. In contrast to the research conducted by Widowati, et al. (2020) competencies have a negative and insignificant effect on audit quality.

This study aims to test and understand whether audit fees play a role in moderating the relationship between independence, competence, auditor ethics and audit quality. The results of this study are expected to contribute to academics in expanding their insight into the factors that affect audit quality. In addition, this research can also be a reference for accounting practitioners, especially public accountants (AP), in improving competence and maintaining the independence of auditors in Public Accounting Firms (KAP).

## **2. Theoretical Background**

### **2.1 Agency Theory**

The agency theory developed by Jensen and Mckeling in 1976 explains the difference in interests between management and company owners. Agency theory emerged as a

result of a conflict of interest between the owner and the agent, where the agent potentially acted inconsistent with the principal's interests, which could ultimately incur agency costs (Kristianto et al., 2020). This theory explains the challenge of believing that an agent or management will act in accordance with the interests of the principal or shareholders, so the presence of another party is required to carry out supervision.

## 2.2 The Effect of Independent on Audit Quality

In agency theory, it is explained that the management that prepares the financial statements may take actions that prioritize its own interests. Therefore, the involvement of a third party, namely an independent auditor, is needed to evaluate in order to produce quality financial statements. Auditor independence is an important aspect in agency theory, because an auditor who has high independence will make the quality of the audit even higher because with his attitude of independence, an auditor will maintain integrity, act honestly and decisively in considering the facts, and will act fairly without being influenced by pressure from any party. According to research (Listyowati et al., 2021) found that auditor independence has a positive effect on audit quality. However, different results were found by the study (Wrdhani et al., 2018) which stated that independence had no effect on audit quality.

*H1: Independency has a significant positive effect on audit quality.*

## 2.3 The Effect of Competence on Audit Quality

In agency theory, the competence of the auditor as a third party is an important aspect in ensuring that the auditor can conduct a thorough and thorough audit, as well as provide an accurate and reliable audit opinion. The competence possessed by an auditor is important. Audits must be conducted by individuals with relevant expertise and adequate technical training as auditors. Therefore, the high level of education of an auditor will affect the breadth of knowledge he has. In addition, more experience will make it easier for an auditor to detect falsehoods in auditing. Research conducted by (Assidiqi & Meidawati, 2019) and in line with the research (Asyik, 2019) states that the results of the study show that competence has a positive effect on audit quality. However, in contrast to the research conducted by Biri, (2019) stated that competence does not have a significant effect on audit quality.

*H2: Competence has a significant positive effect on audit quality.*

## 2.4 The Influence of Auditor Ethics on Audit Quality

Auditor ethics is a moral principle that guides auditors in conducting audits to produce quality audits (Kurnia et al., 2014; Pramesti et al., 2021). Auditors who have good ethics are expected to maintain integrity and independence in carrying out audits and can minimize conflicts of interest that can interfere with audit quality. Research conducted by (Pramesti et al., 2021) states that auditor ethics has a positive effect on audit quality. In addition, research conducted by (Meidawati & Assidiqi, 2019) states that auditor ethics has a positive effect on audit quality.

*H3: Auditor ethics has a significant positive effect on audit quality.*

## 2.5 The Effect of Independence on Audit Quality with Audit Fees as a Moderation Variable

Agency theory relates to audit fees through their influence on audit quality. According to agency theory, an independent auditor acts as a third party who works to minimize

conflicts of interest between principals and agents. Adequate audit fees are expected to improve audit quality, because auditors tend to be more independent and freer in carrying out the audit process, because they are not limited by lack of costs. Therefore, when an adequate audit fee will affect the quality of the audit. Research conducted by (Rosidi et al., 2021) and (Lestari et al., 2021) stated that audit fees have a significant positive influence and moderate the relationship between independence and audit quality. And also, in line with research conducted by Badari & Sari, (2018) stated that audit fees are proven to strengthen the influence of independence on audit quality.

*H4: Audit fees can strengthen the moderation of the influence of independence on audit quality.*

## 2.6 The Effect of Competence on Audit Quality with Audit Fees as a Moderation Variable

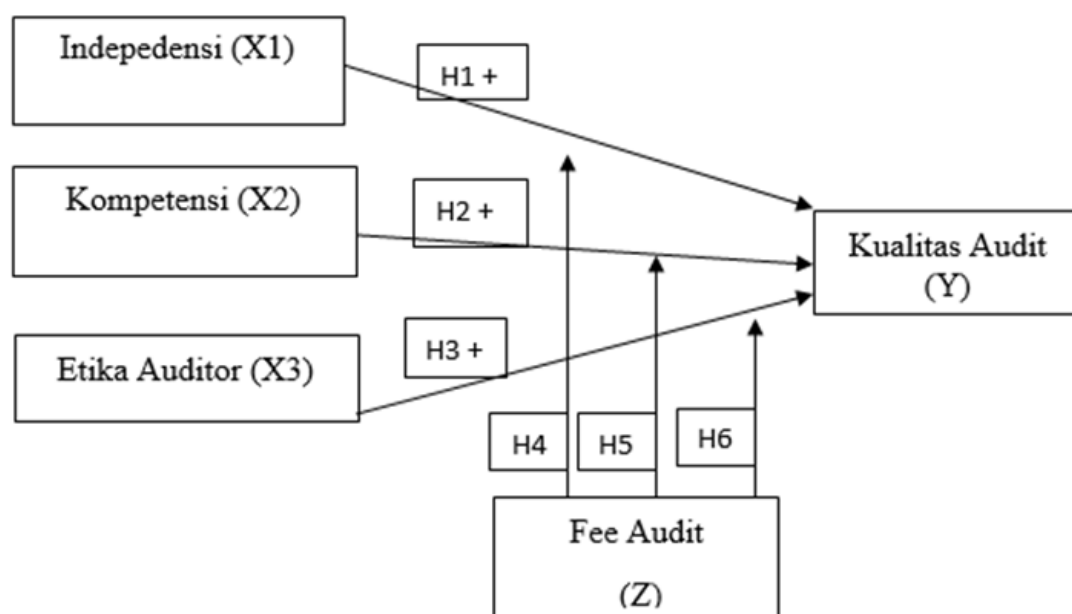
Based on agency theory, the relationship between principal and agent often gives rise to different preferences and can give rise to information asymmetry. In this context, auditor competence and audit fees are interrelated and can affect audit quality. Adequate audit fees are expected to support the improvement of auditor competence, because adequate remuneration can attract more experienced and competent auditors, this will improve the quality of audits well. Research conducted by (Lestari et al., 2021), (Rosidi et al., 2019), and (Sari & Badera, 2018) stated that the results of the study showed that audit fees had a significant positive influence and could moderate and strengthen the relationship between auditor competence and audit quality.

*H5: Audit fees can strengthen the moderation of the influence of competence on audit quality.*

## 2.7 The Influence of Auditor Ethics on Audit Quality with Audit Fees as a Moderation Variable

Agency theory explains the relationship between principal and agent, where the auditor must have good ethics because the auditor acts as an intermediary between the two parties. In this context, audit fees can affect auditor ethics and audit quality. Adequate audit fees are expected to attract more ethical and experienced auditors, so that they can improve audit quality. If the auditor receives a high audit fee, then the audit will be carried out more thoroughly and comprehensively on the agency being audited, so that the chance to detect the possibility of irregularities in the financial statements is higher. Therefore, the audit fee can strengthen the auditor's ethics to improve the quality of the audit. In the research Arif & Suhariadi, (2022) found the results in their research that the interaction of audit fees with auditor ethics produces positive values, which means that audit fees have a role in strengthening the influence of auditor ethics on audit quality.

*H6: Audit fees can strengthen the moderation of the influence of auditor ethics on audit quality.*



**Figure 1.** Framework of Thought

### 3. Methods

This type of research uses a quantitative method or a research method based on positivism (concrete data), research data in the form of numbers that will be measured using statistics as a calculation test tool, related to the problem being researched to produce a conclusion (Sugiyono, 2018:13). The type of data in this study is primary data derived from respondents' answers to the questionnaire shared. Primary data is research data obtained directly from original sources.

#### 3.1 Population and Sample

The population in this study consists of auditors who work in Public Accounting Firms in the DKI Jakarta area.

The sampling technique used in this study is purposive sampling, which is based on the following criteria:

- 1) Public Accounting Firms in the South Jakarta area that are listed in the Directory of Public Accounting Firms found at the Indonesian Institute of Public Accountants in 2023.
- 2) Auditors who have at least 2 years of work experience in their working period as auditors. Because of this, auditors with at least 2 years of work experience have been able to adapt to their work environment and have experience in conducting audits.

#### 3.2 Data collection techniques

The data collection techniques used in this study are as follows:

##### 1) Questionnaire

This research data was obtained from auditors who work at Public Accounting Firms in the DKI Jakarta area. The collected data was then analyzed to measure the variables used in this study.

##### 2) Literature Review

The authors obtained data related to the research problem through books, journals/literature, the internet, and other sources relevant to professional skepticism.

### 3.3 Operational Variables

**Table 1.** Operational Variables

Variable	Variable Operational Definition	Indicators	Occasionally
Independency	A mental attitude that is free from influence, not controlled by others, independent of others. (Mulyadi, 2002)	Client pressure.	Ordinal
		Length of relationship with clients	Ordinal
		Review from fellow auditors	Ordinal
		Non-audit services (Agoes, 2012; Murti & Firmansyah, 2017)	Ordinal
Competence	The ability of the auditor to apply the knowledge and experience he has in conducting audits, so that the auditor can conduct an audit thoroughly, carefully, and objectively. (Alim et al., 2007)	The number of clients that have been audited.	Ordinal
		Knowledge of accounting principles and audit standards.	Ordinal
		Knowledge of the client's company's condition.	Ordinal
		Formal education	Ordinal
		Special training and expertise. (Tjun et al., 2012)	Ordinal
Auditor Ethics	Moral principles that are used as guidelines in conducting audits to produce quality audits. (Halim, 2015)	Objectivity	Ordinal
		Integrity	Ordinal
		Professional responsibility (Alim et al., 2007; Suprianto, 2023)	Ordinal
Fee Audit	Rewards in the form of money or goods or other forms given to or received from clients or other parties in order to obtain engagements from clients or other parties. (Agoes, 2012)	Audit Risk	Ordinal
		Complexity of services provided	Ordinal
		The level of expertise of the auditor in the client's industry.	Ordinal
		KAP fee structure (Halim, 1995; Suprianto, 2023)	Ordinal



Variable	Variable Operational Definition	Indicators	Occasionally
Audit Quality	Audit quality is the possibility by which the auditor will find and report violations and fraud in the client's accounting system. (In & Fun, 2019)	Implementation/audit process	Ordinal
		Audit reporting	Ordinal
		Follow-up on audit results (Sukriah et al., 2009; Suprianto, 2023)	Ordinal

Source: Quoted from various journals (2024)

### 3.4 Data Analysis Techniques

The data analysis technique in this study is a statistical method calculated using the Structural Equation Model Partial Least Square (SEM-PLS). with statistical analysis using SmartPLS software.

## 4. Results and Discussion

The sample in this study is 96 auditors who work in public accounting firms in the DKI Jakarta area. The collected data is analyzed through several stages, including descriptive statistics, validity tests, realistic tests, assessing the outer model, and hypothesis testing through the inner model.

### 4.1 Descriptive Statistics

The variables used in this study include independence, competence, auditor ethics, audit fees, and audit quality, which will be tested descriptively as shown in the following table.

**Table 1.** Descriptive Statistics

It		N	Mean	Median	Min	Max	Std. Deviation
1	I1	96	4.583	5.000	4.000	5.000	0.493
2	I2	96	4.469	4.000	4.000	5.000	0.499
3	I3	96	4.469	4.000	3.000	5.000	0.519
4	I4	96	4.458	4.000	3.000	5.000	0.538
5	I5	96	4.490	4.000	4.000	5.000	0.500
6	I6	96	4.438	4.000	4.000	5.000	0.496
7	I7	96	4.448	4.000	4.000	5.000	0.497
8	I8	96	4.385	4.000	4.000	5.000	0.487
9	I9	96	4.500	5.000	4.000	5.000	0.500
10	K1	96	4.521	5.000	4.000	5.000	0.500
11	K2	96	4.469	4.000	4.000	5.000	0.499
12	K3	96	4.427	4.000	4.000	5.000	0.495
13	K4	96	4.510	5.000	4.000	5.000	0.500
14	K5	96	4.583	5.000	4.000	5.000	0.493
15	K6	96	4.385	4.000	3.000	5.000	0.508
16	K7	96	4.448	4.000	3.000	5.000	0.538
17	K8	96	4.396	4.000	4.000	5.000	0.489
18	K9	96	4.458	4.000	3.000	5.000	0.519
19	EA1	96	4.500	5.000	4.000	5.000	0.500
20	EA2	96	4.323	4.000	3.000	5.000	0.669

It		N	Mean	Median	Min	Max	Std. Deviation
21	EA3	96	4.458	4.000	4.000	5.000	0.498
22	EA4	96	4.417	4.000	3.000	5.000	0.534
23	EA5	96	4.396	4.000	4.000	5.000	0.489
24	EA6	96	4.510	5.000	4.000	5.000	0.500
25	EA7	96	4.469	4.000	4.000	5.000	0.499
26	EA8	96	4.385	4.000	3.000	5.000	0.508
27	EA9	96	4.438	4.000	4.000	5.000	0.496
28	EA10	96	4.469	4.000	4.000	5.000	0.499
29	FA1	96	4.448	4.000	3.000	5.000	0.518
30	FA2	96	4.375	4.000	3.000	5.000	0.633
31	FA3	96	4.417	4.000	3.000	5.000	0.553
32	FA4	96	4.438	4.000	3.000	5.000	0.556
33	FA5	96	4.438	4.000	3.000	5.000	0.536
34	FA6	96	4.479	5.000	3.000	5.000	0.540
35	FA7	96	4,427	4,000	3,000	5,000	0,573
36	FA8	96	4,438	4,000	3,000	5,000	0,556
37	FA9	96	4,521	5,000	4,000	5,000	0,500
38	KA1	96	4,604	5,000	3,000	5,000	0,510
39	KA2	96	4,260	4,000	3,000	5,000	0,617
40	KA3	96	4,396	4,000	3,000	5,000	0,586
41	KA4	96	4,344	4,000	3,000	5,000	0,574
42	KA5	96	4,427	4,000	3,000	5,000	0,573
43	KA6	96	4,385	4,000	3,000	5,000	0,528
44	KA7	96	4,344	4,000	3,000	5,000	0,609
45	KA8	96	4,354	4,000	3,000	5,000	0,520
46	KA9	96	4,406	4,000	3,000	5,000	0,588
47	KA10	96	4,385	4,000	3,000	5,000	0,528

Source: Primary data processed by researchers (2024)

Based on table 1, the data in this study amounted to 96 respondents with a minimum score of 3,000 and a maximum of 5,000 because this assessment used a likert scale with points 1 to 5. The mean value shows an average value above 3 which illustrates that this study has a positive curve result. The standard deviation value shows a value lower than the mean value so that the data obtained has a good distribution.

The independence variable (I) of 96 samples with a minimum value of I was 4,000 and the maximum was 5,000. It has the highest mean value in indicator 1 of 4.583. The lowest mean value in indicator 8 is 4.385. This shows that the majority of respondents have the same view regarding independence in audit work.

The competency variable (K) of 96 samples with a minimum value of K is 3,000 and the maximum is 5,000. It has the highest mean value in indicator 5 of 4.583. The lowest mean value in indicator 6 is 4.385. The standard deviation value that is smaller than the mean value shows that the respondents' answers are relatively consistent and not too different from one respondent to another.

The auditor ethics variable (EA) of 96 samples with a minimum EA value of 4,000 and a maximum of 5,000. It has the highest mean value in indicator 6 of 4,510. The lowest mean value in indicator 2 is 4.323. The standard deviation value that is smaller than the



mean value shows that the respondents' answers are relatively consistent and not too different from one respondent to another.

The Fee Audit (FA) variable of 96 samples with a minimum value of FA is 3,000 and the maximum is 5,000. It has the highest mean value on indicator 9 of 4.521. The lowest mean value in indicator 2 is 4.375. The standard deviation value that is smaller than the mean value shows that the respondents' answers are relatively consistent and not too different from one respondent to another.

The audit quality variable (KA) of 96 samples with a minimum value of KA is 3,000 and the maximum is 5,000. It has the highest mean value in indicator 1 of 4,604. The lowest mean value in indicator 2 is 4,260. The standard deviation value that is smaller than the mean value shows that the respondents' answers are relatively consistent and not too different from one respondent to another.

#### 4.2 Validity Test

The data validity test in this study is by using Smart PLS Software with an Outer Model, namely Convergent Validity which is seen from the Average Variance Extracted (AVE) value of each construct where the value must be greater than 0.5. The AVE value and the root of AVE are from the constructs of Independence (I), Competence (K), Auditor Ethics (EA), Audit Fee (FA), and Audit Quality (KA). It can be seen in table 4.7 as follows:

**Table 2.** Results of Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)	Cutoff	Information
Indemnity (I)	0,686	$\geq 0.5$	Valid
Competency (K)	0,592	$\geq 0.5$	Valid
Auditor Ethics (EA)	0,731	$\geq 0.5$	Valid
Audit Quality (KA)	0,661	$\geq 0.5$	Valid
Audit Fee (FA)	0,636	$\geq 0.5$	Valid

Table 2 provides information on the AVE value from the measurement construct of independence, competence, auditor ethics, audit quality, and audit fees. Each construct indicates an AVE value greater than 0.5. This indicates that all constructs have good validity, so that the indicators or questionnaire items used can validly represent the variables of independence, competence, auditor ethics, audit quality, and audit fees.

#### 4.3 Reality Test

The reliability test aims to ensure that the instrument used has a level of accuracy, consistency, and precision in measuring a construct. A questionnaire is considered reliable or reliable if the respondent's answers to the statements in the questionnaire show consistency or stability. The reliability test of the construct was carried out by checking the values of Cronbach's Alpha and Composite Reliability. A construct is considered reliable if the value of Cronbach's Alpha is  $> 0.6$  and the Composite Reliability is  $> 0.7$  (Ghozali, 2016).

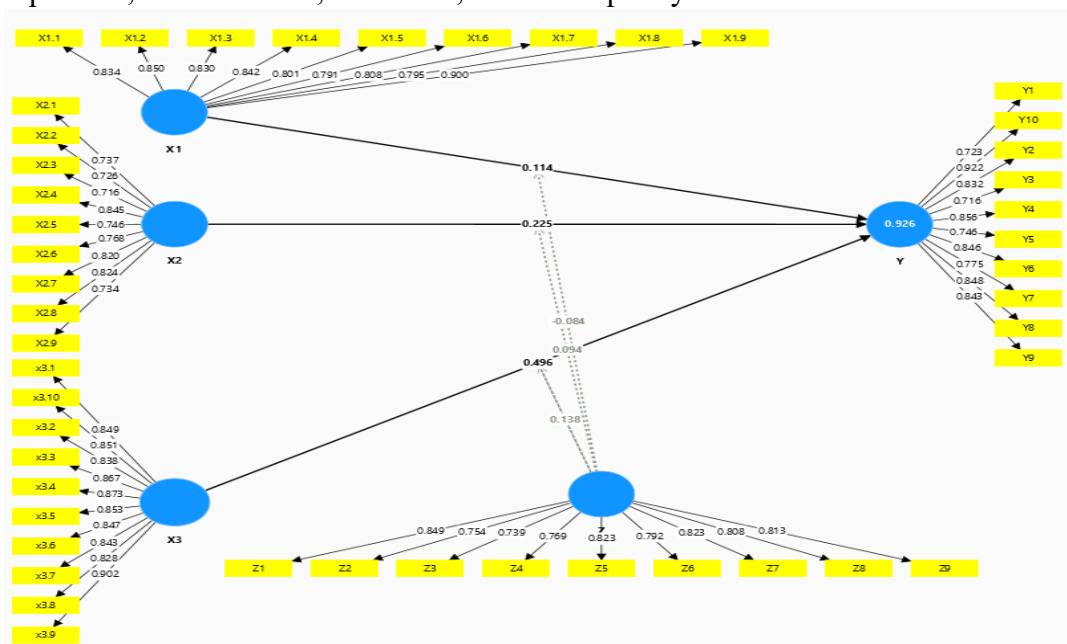
**Table 3.** Cronbach's Alpha and Composite Reliability Values

	Cronbach's Alpha	Composite Reliability (Rh0_a)	Information
I	0,943	0,948	Reliable
K	0,913	0,917	Reliable
EA	0,959	0,960	Reliable
KA	0,942	0,948	Reliable
FA	0,928	0,932	Reliable

From table 3, it can be seen that the independence variable has a Cronbach's Alpha value of 0.943 and a Composite Reliability value of 0.948. This shows a high level of realism. The competency variable had a Cronbach's Alpha value of 0.913 and a Composite Reliability value of 0.917. This shows a high level of realism. The auditor's ethics variable has a Cronbach's Alpha value of 0.959 and a Composite Reliability value of 0.960. This leads to a high level of realism. The audit quality variable had a Cronbach's Alpha value of 0.942 and a Composite Reliability value of 0.948. This shows a high level of realism. The audit fee variable has a Cronbach's Alpha value of 0.928 and a Composite Reliability value of 0.932. This shows a high level of realism.

#### 4.4. Assessing the Outer Model (Measurement Model)

Convergent validity is a measurement model with reflective indicators assessed based on the correlation of each score component item calculated using the SmartPLS software. Individual reflective measures are said to be high if they correlate  $>0.7$  with the measured constructs, while values between 0.5 and 0.6 in the study are considered sufficient (Ghozali, 2021). The following research model can assess the overall correlation of each variable in Figure 2, which is a figure that states the influence of independence, competence, auditor ethics, audit fees, and audit quality.



**Figure 2.** Full Model Structural Partial Least Square

Information:

X1 : Independency

X2 : Competencies

X3 : Auditor Ethics

Z : Fee Audit

Y : Audit Quality

Figure 2 shows an indicator that has a value exceeding 0.7 indicating the valid variable. The results of processing using smartPLS can be seen in Figure 2 where the outer loading values of each variable show a construction correlation with a value of  $>0.7$  is said to be high, as well as a construction correlation between 0.5 to 0.6 is said to be sufficient. So that the indicators of each of these constructs and variables meet the criteria of convergent validity.

#### 4.5 Hypothesis Testing through Inner Model

The inner model is a description of the relationship between latent variables based on the substantive theory of the inner model or commonly referred to as inner relation, structural capital, and substantive theory (Ghozali, 2012). Testing the inner model was carried out to see the R-square value for the dependent construct (Ghozali and Latan, 2015). The structural of the PLS model can be assessed based on the R-square on each latent variable. The R-square value in data processing in this study is as follows.

**Table 4.** R-Square Value

	R-Square	R-Square Adjusted
Y	0,926	0,920

Source: SmartPLS 4 Output (2024)

**Table 5.** Path Coefficient

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P Values	Information
x1 -> y	0,114	0,113	0,051	2,249	0,025	Significant
x2 -> y	0,225	0,221	0,045	4,996	0,000	Significant
x3 -> y	0,496	0,495	0,058	8,511	0,000	Significant
x1 -> y through z	-0,084	-0,082	0,042	2,015	0,044	Significant
x2 -> y through z	0,138	0,137	0,053	2,606	0,009	Significant
x3 -> y through z	0,094	0,092	0,043	2,187	0,029	Significant

Source: SmartPLS 4 Output (2024)

#### 4.6 Discussion

##### 4.6.1 Results of the Effect of Independence on Audit Quality

Hypothesis one (H1) states that independence has a positive and significant effect on audit quality. Based on the data that has been processed and presented, table 6 of the smartpls output shows the original sample value of 0.114 and the P Value of 0.025 which is smaller than 0.05. This shows that the higher the level of independence of an auditor, the higher the level of audit quality. Thus, the result of hypothesis one (H1) is accepted.

Agency theory explains the relationship between principals (shareholders) and agents (management) who often have different interests. Auditor independence is important for maintaining objectivity, reducing conflicts of interest, and ensuring trustworthy financial statements, thereby increasing company trust and stability. Therefore, auditors who always maintain their independence well can produce adequate and trustworthy audit quality.

This research is in line with research conducted by Rahayu (2019) and Listyowati, et al. (2021) which stated that auditor independence has a significant positive effect on audit quality. Therefore, the better the independence of an auditor, the higher the level of audit quality.

##### 4.6.2 Results of the Influence of Competence on Audit Quality

Hypothesis two (H2) states that competence has a positive and significant effect on audit quality. Based on the data that has been processed and presented in table 4.12, the

output of smartpls shows the original sample value of 0.225 and the P Value of 0.000 which is less than 0.05. This shows that the higher the level of competence of an auditor, the higher the level of audit quality. Thus, the results of hypothesis two (H2) are accepted.

In agency theory, auditor competence plays an important role in reducing problems due to agency relationships. Competent auditors are able to provide accurate and transparent information, reducing uncertainty due to information asymmetry. This helps principals make better decisions based on reliable data. Improving auditor competence is a crucial step to ensure high audit quality and protect stakeholder interests.

This research is in line with research conducted by (Meidawati & Assidiqi, 2019) and (Baridwan et al., 2020) which show that competence has a positive effect on audit quality. This shows that the higher the auditor's competence, the higher the audit quality.

#### 4.6.3 Results of the Influence of Auditor Ethics on Audit Quality

The second hypothesis (H3) states that auditor ethics has a positive and significant effect on audit quality. Based on the data that has been processed and presented in table 4.13, the output of smartpls shows an original sample value of 0.496 and a P Value of 0.000, which is less than 0.05. This shows that the higher the Auditor Ethics, the higher the level of audit quality. Thus, the results of hypothesis three (H3) are accepted.

Auditor ethics is a moral guideline that is the basis for auditors in carrying out their duties to produce quality audits. Principles such as integrity, objectivity, professional competence, confidentiality, and ethical behavior help auditors deal with dilemmatic situations and maintain trust between principals and agents, as per agency theory. By adhering to professional standards, auditors can reduce conflicts of interest, protect information, and ensure financial statements reflect true conditions.

This research is in line with research conducted by Zurriah (2020) & Meidawati & Assidiqi (2019) which states that auditor ethics has a positive effect on audit quality. This means that the higher the level of ethics that an auditor has, the better the quality of the audit.

#### 4.6.4 Results of the Effect of Independence on Audit Quality with Audit Fees as a Moderation Variable

Hypothesis four (H4) states that independence has a positive and significant effect on audit quality with audit fees as a moderation variable. Based on the data that has been processed and presented in table 4.14, the output of smartpls shows an original sample value of -0.084 and a P Value of 0.044 which is smaller than 0.05. Thus, the results of hypothesis four (H4) are accepted.

Adequate audit fees allow independent auditors to maintain objectivity and integrity, resulting in high-quality audit reports. With sufficient allocation of time and resources, auditors can work more thoroughly and in-depth, reducing conflicts of interest according to agency theory. This fee also serves as an incentive to increase transparency, accuracy of financial statements, and stakeholder trust.

This research is in line with research conducted by (Rosidi et al, 2021) and (Lestari et al, 2021) the results of the study show that audit fees can moderate the relationship of independence to audit quality.

#### 4.6.5 Results of the Influence of Competence on Audit Quality with Audit Fees as a Moderation Variable

Hypothesis five (H5) states that competence has a positive and significant effect on audit quality with audit fees as a moderation variable. Based on the data that has been

processed and presented in table 4.15, the output of smartpls shows an original sample value of 0.138 and a P Value of 0.009 which is smaller than 0.05. Thus the results of hypothesis five (H5) are accepted.

Competent auditors, supported by adequate audit fees, can carry out their duties more effectively, in-depth, and thoroughly, producing accurate and reliable reports. Audit fees serve as a financial incentive while supporting optimal allocation of time and resources. In agency theory, audit fees help reduce conflicts of interest and information asymmetry between principals and agents, ensuring high audit quality.

This research is in line with research conducted by Rosidi et al. (2021) and research by Lestari et al. (2021) which stated that audit fees can moderate competence on audit quality.

#### 4.6.6 Results of the Influence of Auditor Ethics on Audit Quality with Audit Fees as a Moderation Variable

Hypothesis five (H5) states that competence has a positive and significant effect on audit quality with audit fees as a moderation variable. Based on the data that has been processed and presented in table 4.16, the output of smartpls shows an original sample value of 0.094 and a P Value of 0.029 which is smaller than 0.05. Thus the results of hypothesis six (H6) are accepted.

Audit fees moderate the influence of auditor ethics on audit quality by providing adequate resources to support the work of auditors. Strong ethics, supported by a decent fee, allow auditors to work more thoroughly, accurately, and responsibly. In agency theory, adequate audit fees help reduce information asymmetry and increase accountability, resulting in high-quality audits.

This research is in line with research conducted by Suhariadi & Arif (2022) which states that audit fees can moderate the influence of auditor ethics on audit quality.

## 5. Conclusion

This study examines the influence of auditor independence, competence, and ethics on audit quality with audit fees as a moderation variable. Based on the analysis that has been carried out, the following conclusions can be drawn:

- 1) Independence has a positive and significant effect on audit quality. This shows that the better the independence of an auditor, the higher the level of audit quality.
- 2) Competence has a positive and significant effect on audit quality. This shows that the higher the auditor's competence, the higher the audit quality.
- 3) Auditor ethics has a positive and significant effect on audit quality. This shows that the higher the level of ethics that an auditor has, the better the audit quality.
- 4) Audit fees can moderate the influence of independence on audit quality. This shows that audit fees can strengthen the relationship between the influence of independence on audit quality.
- 5) Audit fees can moderate the influence of competence on audit quality. This shows that audit fees can strengthen the relationship between the influence of competence on audit quality.
- 6) Audit fees can moderate the influence of auditor ethics on audit quality. This shows that audit fees can strengthen the relationship between the influence of auditor ethics on audit quality.



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