

**The Influence of Educational Background and Ethics on Audit Quality: A Case Study in PWC, EY, Deloitte, and KPMG**

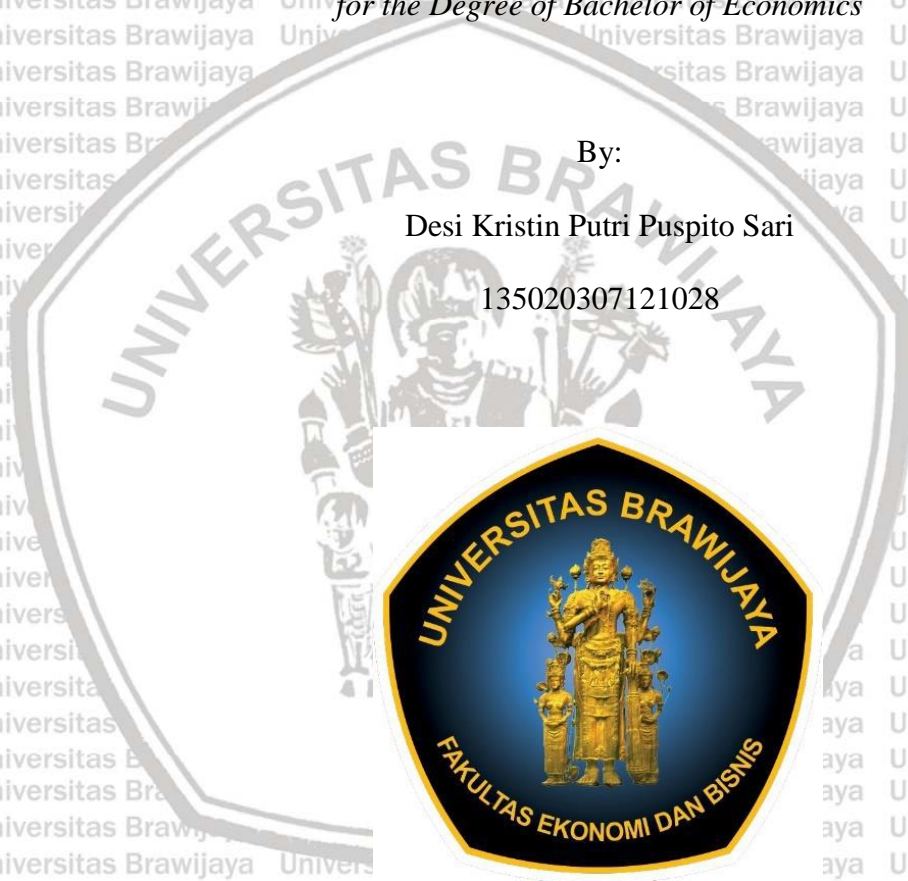
**Minor Thesis**

*Presented as Partial Fulfillment of the Requirements  
for the Degree of Bachelor of Economics*

By:

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**INTERNATIONAL UNDERGRADUATE PROGRAM IN ACCOUNTING**

**DEPARTMENT OF ACCOUNTING**

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**UNIVERSITAS BRAWIJAYA**

**MALANG**

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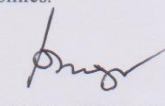
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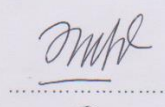
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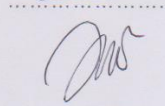
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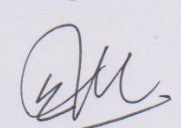
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Desi Kristin Putri Puspito Sari



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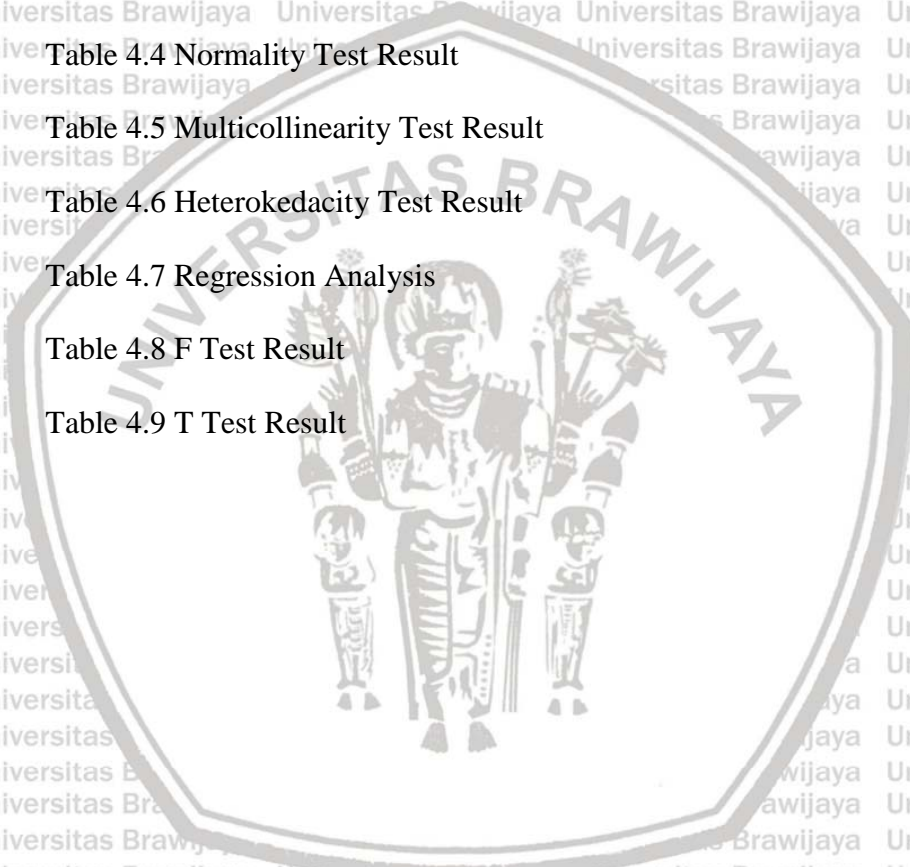


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**The Influence of Educational Background and Ethics on Audit Quality: A Case Study in PWC, EY, Deloitte, and KPMG**

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**ABSTRACT**

Good audit quality is determined by the quality of human resources as well. So from this study will look at the basic things that must be owned by auditors namely education and ethics. This study is intended to determine the effect of educational and ethical backgrounds on audit quality. Respondents in this study were auditors working in Big4 KAP, PWC, Deloitte, EY and KPMG. This study uses primary data collected using a questionnaire. Collecting data using convenience sampling technique. One hundred and twenty questionnaires were distributed to the Big4 KAP where each KAP received 30 questionnaires. From the questionnaire distributed which can be processed are 74 questionnaires. The data analysis technique used is Multiple Linear Regression. The results show that the Education Background and Ethics significantly influence Audit Quality positively.

**Keywords:** *Audit Quality, Educational Background, and Ethics.*



**Pengaruh Latar Belakang Pendidikan Dan Etika Terhadap Kualitas Audit:  
Studi Kasus Pada Kantor Akuntan Public PWC, Deloitte, EY, dan KPMG**

**Oleh:**

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**Dr. Drs. Bambang Hariadi, M.Ec., Ak.**

**ABSTRAK**

Kualitas audit yang baik ditentukan oleh kualitas sumber daya manusianya juga. Maka dari itu penelitian ini akan melihat hal dasar yang harus dimiliki oleh auditor yaitu pendidikan dan etika. Penelitian ini dimaksud untuk mengetahui pengaruh latar belakang pendidikan dan etika terhadap kualitas audit. Responden dalam penelitian ini adalah auditor yang bekerja di KAP Big4 yaitu PWC, Deloitte, EY dan KPMG. Penelitian ini menggunakan data primer yang dikumpulkan menggunakan kuesioner. Pengumpulan data menggunakan teknik convenience sampling. Seratus dua puluh kuesioner dibagikan ke KAP Big4 dimana masing-masing KAP mendapat 30 kuesioner. Dari kuesioner yang dibagikan yang dapat diproses adalah 74 kuesioner. Teknik analisis data yang digunakan adalah Regresi Linear Berganda. Hasilnya menunjukkan bahwa Latar Belakang Pendidikan dan Etika secara signifikan mempengaruhi Kualitas Audit secara positif.

**Kata Kunci:** *Kualitas Audit, Latar Belakang Pendidikan, dan Etika*



## CHAPTER I

### INTRODUCTION

#### 1.1 Research Background

Financial statements are one of the information that can be used as references in assessing the development of the company, may also be a measuring tool in assessing the achievements that have been achieved in a company that happened in the past, present, and as a plan in the future. Financial assessment in a company can be done by analyzing the financial statements. Analyzing the financial statements of a company can determine whether the company's financial condition is good condition or not, one of them to do a ratio analysis. Financial ratio analysis of financial statements at least requires at least 2 years from the passage of the company (Mait, 2013).

The company leadership or management, as well as all parties involved in the company's activities, are urgently needed for financial statements, they are all internal parties of the company. In addition to internal parties, there is also the so-called external party companies that creditors, potential creditors, investors, potential investors, the tax office, the parties are not directly involved in the activities of the company but has an interest in the company. There are two important characteristics in a financial report that are relevant and reliable. The difficulty of measuring these two characteristics requires that financial statement users need services from accountants or external auditors from a public accountant firm as a guarantee that the

financial statements are relevant and reliable in order to increase the trust of users of financial information (Putri & Juliarsa, 2014).

In accordance with the Statement of Financial Accounting Standards, 1 passed in 2014 (IAS, 2017) concerning the presentation of the financial report consists of several components, namely: (a) the position report finance at the end of the period; (b) statements of comprehensive income during the period; (C) statement of changes in equity during the period; (d) cash flow statement during the period; (e) notes to financial statements. As required in Government Regulation No. 24 of 2005 concerning Government Accounting Standards, financial statements must meet the characteristics are Relevant and Reliable. The financial statements can be said reliably if verifiable, neutral, and the presentation is fair/honest. These two characteristics are difficult to measure, so the services of a third party are required, namely an independent auditor to provide assurance that the financial statements are relevant and reliable, so as to increase the trust of all interested parties in the company (Singgih and Bawono in Yogi, 2015). Strengthened in the Regulation of the Financial Services Authority No. 29 /POJK.04/2016 on Annual Reports Public Company Articles 4 points h, which requires that in addition to the financial statements in accordance with IAS also accompanied by audit evidence a statement (assertion) from the auditor regarding the level of fairness of the financial statements of the company.

In 2018 there were cases involving public accounting firm regarding the lack of audit procedures performed by the public accounting firm. The Ministry of Finance



has imposed sanctions on three public accounting firm after the Financial Services Authority (FSA) report violations audit procedures conducted by the public accountant firm. Three of the public accounting firm is Marlinna Public Accountant, Merliyana Syamsul Public Accountant, and Public Accountant Office Eny Bing Satrio and Partners which is one entity Deloitte Indonesia. Test results concluded that public accountants and Merliyana Syamsul Marlina has not fully complied with the Standard Audit-Standard Professional Public Accountant in the audit of the financial statements SNP Finance (<https://bisnis.tempo.co>, 2018).

The auditor is a profession that upholds the independence, integrity, honesty, and objectivity and is required to provide information that is relevant, accurate and timely (Cahyani, 2015). The trust to the Public Accounting Offices requires them to pay attention to its quality, but the proliferation of audit scandals that have occurred both inside and outside the country has a major impact on public trust in the public accounting profession (Bawono & Singgih, 2010). As an example of a case that was published in the online media (<https://bisnis.tempo.co>, 2017) regarding the public accounting firm Ernst & Young partners in Indonesia, namely Purwantono, Suherman & Surja paid a fine of \$ 1 million USD (approximately 13.3 billion IDR) to US regulators due to failing to conduct financial statement audits. EY released an audit report with unqualified status where after that it was found that the audit results were not supported by accurate data in terms of leasing more than 4 thousand cellular tower units.

A similar case occurred in September 2008 in which the largest investment bank in America, Lehman Brothers, revealed that a bank founded by three Lehman brothers had been proven to have made financial engineering to hide loan dependence. Ernst & Young, which handled Lehman Brothers, was also dragged into the case where it issued an unqualified opinion for Lehman which should provide an early warning in the opinion so that interested parties in audited financial statements were not misled in making investment (N Ardiani, E. Nur DP; N. Azlina, 2012).

Other auditing scandals have occurred in the case of Enron Corporation in which the firm Arthur Anderson gives an unqualified opinion on the financial statements of Enron Corporation who not long after the Enron bankruptcy.

A similar case also occurred when Public Company Accounting Oversight Board (PCAOB) sentenced Purwanto, Suherman, and Surja along with Ernst and Young (EY) Indonesia for a role in the failure to audit the financial statements of PT Indosat Tbk in 2011. The penalties were in the form of a fine of US \$ 1 million to Ernst and Young Indonesia and fines were also given to EY Indonesia's partners namely Roy Iman Wirahardja for US \$ 20,000 and prohibited practices for five years and a fine of US \$ 10,000 given to former EY Asia-Pacific Director, Randall Leali with a one-year practice ban. This sentence was given because it gave an Unqualified opinion (WTP) to financial statements even though the calculation and analysis had not been completed (nasional.kontan.co.id).

Based on various existing cases, the integrity, objectivity, and performance of an auditor began to be doubted. Thus, the quality of an auditor should be considered in

order to restore the trust of the public accounting firm. That trust must be maintained to proving professional performance.

Professionalism provided is inseparable from quality human resources (HR) as well. Quality and competent resources will provide an important role in completing existing tasks, including presenting information about financial statements. Human resources are important factors for the creation of quality financial reports.

Incompetent human resources will not complete their work efficiently, effectively, and economically so that it can take time and energy (Indayani, Sujana, Luh, & Erni, 2015). The quality of HR auditors can be determined from educational and ethical backgrounds that will affect audit quality.

A good auditor performance will produce good audit quality and increase public trust. In terms of ethics, a profession must have morals and obey the rules that have been formed in each profession. These rules constitute a code of ethics in carrying out or carrying out the profession. The code of ethics must be adhered to by every profession because it is a tool of trust for the community. Every profession must obey the ethics of the profession especially concerning the matter of the wider community, as an auditor must have good ethics in carrying out his duties (Cahyani, 2015).

Ethics of an auditor could be questioned in an alleged bribery case in which the BPK provides an unqualified Opinion for the financial statements PDDT fiscal year 2016 which involves ministries and audit institutions the state must uphold ethics and of integrity, objectivity and careful and professional (<http://jateng.tribunnews.com>,

2018). As part of professional accreditation, accountants have to undertake training in professional ethics (Spence, 2014).

Ethics is one of the factors that affect the quality of the audit. With the ethics formed in a code of conduct is expected to regulate the behavior of people in doing a job (Wulandari, 2018). The audit by adhering to existing ethics will improve the quality standards of the work carried out so that the audit results are more qualified (Kadhafi, 2013). Halim (2008) says that professional ethics include an attitude of the members of the profession to be idealistic, practical and realistic.

Ethics is not the only factor affecting the quality of the audit. Another factor is education that can support audit quality. The level of formal education is very important in supporting the competence of an auditor in carrying out his duties. Auditors who have a good formal education will affect the results of the audit (Indayani et al., 2015).

Education is very important for an auditor considering that a prospective auditor will be provided with knowledge before entering the world of work. It was stated in (<http://manado.tribunnews.com>, 2019) that corruption cases that are increasingly being revealed and various types prove that now and in the future education is needed in preventing corruption. As a result of the failure of accountants to detect and prevent fraud, universities received a lot of criticism because of a lack of training to detect fraud (Jackson et al, 2013). In (Albrecht et al, 2012) said there were three factors that a fraud occurred, namely, educators did not provide sufficient training

and ethics to their students. Second, educators do not teach fraud. Third, educators teach prospective accountants by not using content as a tool for students to develop analysis.

A study by Indayani et al., (2015) The level of formal education is one of the most important factors for an auditor because the better the education possessed by an auditor will greatly affect the results of the audit. In language, education is the process of changing attitudes and behavior of a person or group in maturing humans by being given teaching or training. With formal education, someone in his life will be someone who is moral and cultured, and with have a formal education someone will be easy to understand and understand what they have to do or do in a job (Muzahid, 2004).

This opinion is directly proportional to the results of Subhan's research (2012) which tests the influence of educational background, competence, technical, continuing education and training and work experience on the quality of examination results. The results showed that the educational background pasial significant effect on audit quality produced. Research conducted by Mulyono (2009) also shows the significant influence of educational background on audit quality. But it is different from the opinion of Batubara (2008) and Ayuni (2008) in their research which also tests the influence of educational background on audit quality, showing the results have no significant effect between educational background on the quality of audits produced.

Students who want to work in Public Accounting Firm usually choose the Big 4 firms as the beginning of a career goal. They believe that the Big 4 firms are more prestigious and offer better training (Ortegegren, 2012). In the 1980s and before, the majority of the audited companies were conducted by the Big 8-the eight largest CPA firms. The Big 8 is now Big 4. Big 4 refers to the largest accounting and auditing firms: PricewaterhouseCoopers, Deloitte, Ernst & Young and KPMG. These are certified public accounting (CPA) firm that are required of audits which are required of U.S. In addition to performing audits and other assurance service, the Big 4 provide tax advising and various management services (<https://www.accountingcoach.com>, 2019).

Simunic (1980) in Gray (2010), argues that accounting services in Public Accounting Firm provides different quality, with the brand name auditors (Big 4 auditors) are being more trusted. Larger accounting firms have a larger portfolio of clients.

Big 4 accounting firms have more experience in administering the audits of public companies (SEC registrants). Big 4 will gave material greater in detecting problems in the financial statement of the clients. Whereas, auditors of smaller accounting firms have less experience and less skills in detecting such problems (Francis, 2009).

From several reasons above based on previous research, researchers are interested in examining the influence of educational and ethical backgrounds on audit

quality. The researcher took the study with the title, **"The Influence of Educational Background and Ethics on Audit Quality: A Case Study in PWC, Deloitte, EY, and KPMG"**.



## 1.2 Research Problems

Based on the background of the research presented above, this study has two research problems, are as follows:

1. Does educational background influence audit quality?
2. Does ethics influence audit quality?

## 1.3 Research Objectives

Based on the research problems presented above, this study has two main research objectives, are as follows:

1. This research is intended to explain and predict the effect of education on audit quality.
2. This research is intended to explain and predict the influence of ethics on audit quality.

## 1.4 Research Contribution

This study is expected to provide contributions including:

### 1. Theoretical Contribution

This study aims to see the effect of audit quality, namely the educational background and ethics carried out in the research of Subhan (2012) and Imansari (2015). This study uses SA 200 regulations as a reference. This research is also expected to be a literature and contribution to other researchers who are searching for



the influence of educational background and ethics on audit quality. The results of this research can be used as a reference for future researchers who want to conduct further research on audit quality. The future research can add more research as well as employers, different arrangements of variables or objects being investigated

## 2. Practical Contribution

This research is expected to be useful for auditors as motivation to continue to increase knowledge and insight about audits by completing formal education and attending informal education such as training to support skills and understand the overall ethics that auditors must understand in carrying out the audit process so as to maintain the audit quality of a report finance. In addition, this research can also be useful for those who need audit services, as a view of how the audit quality required for their financial statements and increase confidence in the financial statements audited by the auditor, so that they can be relevant information..

## 1.5 Thesis Structure

The writing structure is arranged into five related chapters as follow:

### Chapter 1: Introduction

This chapter explains the research background, research problems, research objectives, research contributions, and writing structure.

## **Chapter 2: Theoretical Framework and Hypothesis Development**

This chapter explains the theoretical about perspectives and statements based on previous research and other sources that underlie the topic of this research. This chapter also contains the theoretical framework and the development of the research hypothesis.

## **Chapter 3: Research Methodology**

This chapter describes the research method selected to conduct this research. Research type, sample and population information, data source and data collection methods, the definition of research variables and operations, and data analysis.

## **Chapter 4: Data Analysis and Description**

This chapter describes the research result, quantitative data analysis, and the discussion of the result.

## **Chapter 5: Conclusion**

This chapter contains the conclusions of the results and analysis, research limitation, and constructive suggestions for further research which have the same topic with many different arrangements of variables or objects.

## CHAPTER II

### LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

#### 2.1 Educational background

Background according to the Big Indonesian Dictionary (KBBI) is the basis of an action regarding events to supplement information that has previously been received.

While education is human maturity through teaching and training and changing human behavior in it (KBBI).

To get adequate knowledge a person needs education, the higher a person's education or the more appropriate one's education, the more knowledge possessed, so that in accordance with increasingly diverse global developments (Meinhard et al., 1987 in Dharmawan, 2014). Kusharyanti (2003) states that auditors must possess the following knowledge, namely:

1. The general auditing knowledge.
2. Functional area knowledge.
3. Knowledge of the particular industry.
4. Knowledge of general business.

It can be concluded that the educational background is the basis of education taken by someone. Educational background has an influence on the knowledge and personality. Education in this case is education related to the profession in the world

of work. With education that is owned, a person will more easily face problems or challenges in his work (Ramadhan, 2015)

Dewi (2010) in Putri (2019) states that one of the requirements to get permission establish Accounting Firm in accordance with the rules permit that was issued by the finance minister that has at least three auditors with formal education levels of the lowest areas of accounting degree in Diploma Three (D-III). This confirms that one of the requirements to be an auditor is to have a formal education of at least a Diploma of three (D-III). The auditor is also required to have a certificate certifying that he has passed a valid Public Accountant professional examination in accordance with what is stated in the *UU Akuntan Publik No. 5 Tahun 2011 Pasal 6*.

Government Regulation No.20 *Tahun 2015* about *Praktik Akuntan Publik Pasal 6 ayat 1* states that Public Accountants must maintain competence by attending *Pendidikan Profesional Berkelanjutan* in a certain number of continuing professional education credit units. Then, *Pendidikan Profesional Berkelanjutan*, referred to in this regulation is education organized according to Government Regulation No. 20 of 2015 concerning the Practice of Public Accountants *Pasal 7 ayat 1* that the Professional Association has the authority to hold "*Pendidikan Profesional Berkelanjutan*".

Batubara (2008) revealed that the quality of audits was demanded higher so that the results of the examination were able to provide value for what had been done against the applicable standards, it confirms that the auditor must have a good

educational background. Education for auditors can improve audit quality and achievement in the education sector ensuring the quality of the workforce.

## 2.2 Auditor Ethics

Ethics are values or norms of behavior in society that can be accepted by a group or individual (Sukamto, 1991). According to Suseno Magnis (1989) and Sony Keraf (1991) taht ethics is different from morality. Morality is how one must live as a human being. Morality is a human rule in how to live and act in life as a good human and avoid bad behavior. While the ethics talk about values and moral norms that determine human behavior in life. Based on the expected ethics, the code of ethics was formed as a pattern of its own rules.

The code of ethics is a code of conduct made to be guided in behavior or carrying out assignments so as to foster trust and maintain the image of the organization in the community. Maryani and Ludigdo (2001) define ethics as a set of rules or norms or guidelines that govern human behavior, both those that must be done and those that must be abandoned which are adopted by a group or a group of people or society or profession.

To be declared a professional auditor, an auditor must have a code of ethics that regulates norms. Related to auditor independence, SA 200 Section 18 letter a No. 15 Part A of the Code of Ethics establishes the basic principles of professional ethics that are relevant to auditors when carrying out an audit of financial statements and

provides a conceptual framework for applying these basic principles. The basic principles that must be obeyed by auditors according to the Code are as follows:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and accuracy;
- (d) Confidentiality; and
- (e) Professional Behavior.

### 2.3 Auditing

In his book, Arens et al (2012) define Audit as the collection and evaluation of evidence about information to determine and report the degree of conformity between that information and predetermined criteria. From the various meanings above, it can be said that the audit is a process of an examination carried out systematically on financial statements, internal supervision, and accounting records of a company. An audit aims to evaluate and provide opinions regarding the fairness of financial statements based on evidence obtained and carried out by an independent and competent person (Auditing & Assurance Services, 2015: 2).

The definition of auditing by Agusti, Nastia, & Pertiwi, (2013) is:

"Audit is a process to reduce information inconsistencies between managers and hold shares. For this reason, a third party (Public Accountant) is needed who can provide

trust in investors and creditors that financial reports presented by management can be trusted".

There are three types of audits. The first is a financial statement audit, an examination of the company's financial statements by an independent auditor to express an opinion with the criteria established by public accounting principles (GAAP). The second type of audit is a compliance audit, is a work process whether the audited party has complied with the procedures, standards, and rules given. The third type is about operational audit activities, the process of evaluating activity efficiency, economic activities in the organization and reporting of evaluation results along with suggestions for optimizing activities that will be carried out to match the targets set.

#### 2.4 Audit Standards

Audit standards are rules or performance set by the *Indonesian Institut Akuntan Publik Indonesia* (IAPI) covering 3 parts:

##### General Standards

- 1) The auditor must have adequate expertise and training as an auditor.
- 2) The auditor must maintain mentality of all things in the engagement relationship.
- 3) The auditor in auditing and reporting should carry out with careful and thorough.

### **Field Worker Standards**

- 1) The work of the audit must be planned well and when using the assistant then it should be supervised by a supervisor/
- 2) Internal control must be well understood in order to conduct audit planning properly.
- 3) Competent audit evidence must be obtained through observation inspection, request for information, and confirmation as an adequate basis to be able to provide an opinion statement on the audited financial statements.

### **Reporting Standards**

- 1) The audit report must state whether the financial statements have been prepared in accordance with generally accepted accounting principles.
- 2) The results of the auditor's report must be consistent, if there is inconsistency in the application of accounting in the preparation of the current period's financial statements with the application in the previous period.
- 3) The financial statements must be reported informative unless otherwise stated in the auditor's report.
- 4) The auditor's report must contain statements of opinion regarding the financial statements as a whole.



## 2.5 Audit Objectives

Kell & Boynton (2002: 6) say that the purpose of the audit is to provide assertions to the fairness of financial statements, in all matters that are presented according to criteria set and in accordance with applicable accounting principles.

Own assertion according to Soekirno Agoes in his book (2014: 5-6) is said to be a management representation to treat the fairness of financial statements. Auditing Standards Boards (ASB), an agency formed by AICPA to formulate auditing standards and their interpretations, classifies financial statement assertions as follows:

1. Existence or Occurance: Really the existence of assets, liabilities, and equity in the financial report made by the company.
2. Completeness: Completeness of assets, liabilities and equity, or transactions in the company's financial statements.
3. Rights and Obligations: Are the assets listed in the Financial Position Report (balance sheet) owned by the company, and whether the liabilities listed in the statement of financial position (balance sheet) are liabilities of the company as of the statement of financial position date.
4. Evaluation and Allocation: Are assets, liabilities and equity appropriately valued in accordance with generally accepted accounting standards (now SAK / ETAP / IFRS), and whether the balances have been appropriately allocated between statements of financial position (balance sheet) and profit and loss comprehensive (eg asset cost vs. depreciation expenses).

5. Presentation and Disclosure: Is the classification done in the financial statements correct and whether the disclosure has been considered adequate so that there are no misleading financial statements.

## 2.6 Types of Audit

According to Jusup (2014) audit can be grouped into three, namely financial audit, compliance audits, and operational audits.

### a. Audit of Financial Statements

Audit of financial statements is to provide opinions to stakeholders and demonstrate financial statements in accordance with the provisions specified.

### b. Compliance Audit

Compliance audits are carried out with the purpose of whether the procedures made have been adhered to or followed correctly by the authorities.

### c. Operational Audit

Operational audit is a review of the efficiency and effectiveness of a procedure or procedure made by an institution or organization.

## 2.7 Audit Quality

Audited financial statements are important because they are needed by users of financial statements for decision making by a company. In auditing the client's financial statements an auditor must maintain the quality of the financial statements with existing procedures in accordance with applicable standards so as to maintain the reputation and good name of the independent auditor's place. According to IAASB (2011) audit quality is the dependence of audit opinions provided by independent auditors after gathering and checking reliable audit evidence to users of financial statements.

LE DeAngelo (1981) states that audit quality is the auditor's disclosure of what has been found and reports violations that occur in the client's accounting system.

Audit quality is needed by companies to assess the performance of a company. Audit quality allows the auditor to find and report what is happening in the client's accounting system. According to IAASB (2011) Audit quality is a reliable audit opinion for users of financial statements.

The AAA Financial Accounting Standards Committee (2000) states:

"Good quality audits require both competence (expertise) and independence. These qualities have direct effects on actual audit quality, as well as potential interactive effects. In addition, users' financial statements' perception of audit quality are a function of their perceptions of both auditors' independence and expertise."

Audit quality by Watkins et al. (2004) summarizes the audit quality of several practitioners or researchers, the first according to Krishnan and Schauer (2001), Tie (1999), Mc-Connel and Banks (1998), Aldhizer et al (1995) and Cook (1987) quality audit is an audit activity level according to the audit standards applicable circuitry. Second, according to Titman and Trueman (1993), Beaty (1989), Krinsky and Rotenberg (1989), Davidson and Neu (1993) Audit quality is the accuracy of information reported by the auditor. Third, according to Wallace audit quality is a measure by which audit's ability to reduce confusion and bias in accounting data. Audit quality in this study explains that based on the results of the audit can inform the client's actual situation including reporting violations that occur in the client's accounting system. So that the results of the audit do not harm those who need the results of this audit to make decisions that will be made.

Audit quality includes an analysis of the audit process in the form of gathering and testing evidence that is considered reliable and the results of audit quality in the form of opinions or opinions that will be provided by the auditor regarding the fairness of the financial statements. The quality of financial statements or audit quality can be improved if errors or irregularities in the client's accounting system can be corrected before issuing financial statements. Knechel et al. (2012) states that users of financial statements will conduct an evaluation of audit quality with the auditor's ability to detect material misstatements and the auditor's actions after detecting it.

*Ikatan Akuntan Indonesia* (IAI) states that the quality of the audit carried out if it is in accordance with existing standards. Wardina (2015) to improve audit quality it is necessary to:

- a. Improve his professional education.
- b. Maintaining independence in mental attitude.
- c. Carry out audit tasks using their professional skills carefully.
- d. Conduct audit planning.
- e. Understand the client's internal structure.
- f. Auditor competence and adequacy of evidence obtained.
- g. The audit report must be in accordance with the actual situation.

The audit quality indicators stated SPAP, SA *seksi* 411, (PSA No. 72, 2001) as follows:

- a. Timeliness in completing the audit.
- b. Auditing standard compliance.
- c. Communication with the audit team with client management.
- d. Planning and implementation.
- e. Independence in making audit reports.

The Independent Auditor is responsible for auditing the client's financial statements in order to make decisions by interested parties. The audited financial statements must be of high quality and reflect the actual conditions of the company in order to provide appropriate information, of good audit quality can also be used to detect fraud or errors in a financial statement.

## 2.8 Conceptual Framework

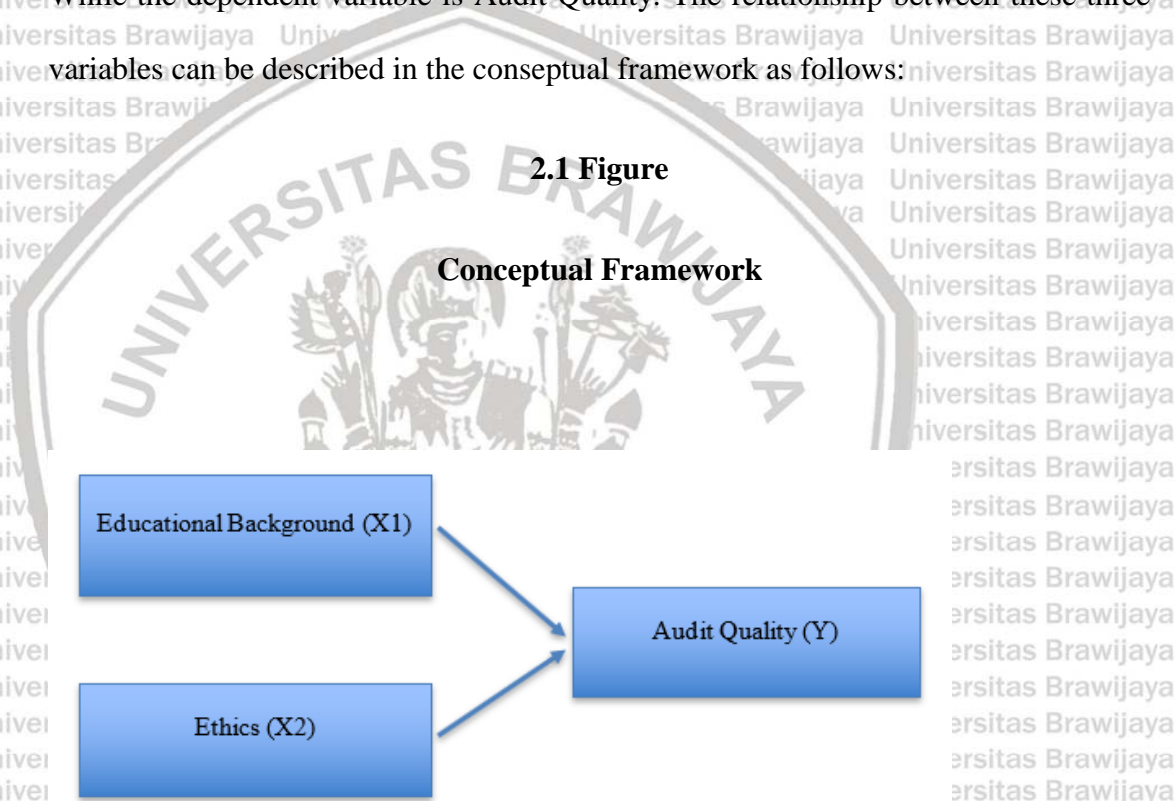
Quality audits are audits that follow the criteria for audit standards and are carried out by people who have competence and independence. Competent is an auditor who understands and carries out audit procedures correctly, and independently is an auditor who reports the audit findings independently according to the actual situation. Educational background and ethics are things that will determine the competence and independence of auditors to produce quality audits.

Jurnaedi (2014) formal education is very important in supporting the competence of an auditor in carrying out his duties. An auditor with good formal education can increase human resources and will affect the results of audits performed. Jurnaedi (2014) also said that professional education will also affect audit quality. Ramadhan (2015) also said that an educational background in accounting and auditing is also very necessary to support an auditor's ability to carry out his duties.

Another factor that influences audit quality is the auditor's understanding of the professional ethics set by the audit standard. An auditor must behave and act professionally in carrying out his duties as an auditor. This is because every

profession has professional values and ethics that must be upheld for its professionalism (Jurnaedi, 2014)

This study uses three variables, two independent variables and one dependent variable. Two independent variables consist of Educational and Ethical Background. While the dependent variable is Audit Quality. The relationship between these three variables can be described in the conceptual framework as follows:



## 2.9 Hypotesis Development

### 2.9.1 The Effect of Educational Background on Audit Quality

The development of hypotheses explains the relationship between the independent variable and the dependent variable. Based on the conceptual framework in Figure 2.1, the following hypothesis can be formulated.

Educational background in accounting and auditing is very necessary because in taking accounting and auditing education the basics are taught in accounting and auditing in accordance with the auditor profession. This is because at the level of education a person receives regular teaching, sometimes even being required to know these conditions (Ramadhan, 2015).

Personal attributes of human beings to determine how people behave in one of his educational background, if someone has the educational background and in accordance with the competencies needed the better the behavior they show, which in this study was associated with the quality of audits produced (Cheng et al, 2009).

Mulyono (2009) in his research he said that educational background has a significant influence on audit quality. Subhan (2012) also in his research on the influence of educational background on quality stated that the two variables had a significant effect on audit quality. Education in question is education that is in accordance with the profession involved in the world of work. For an auditor, it requires formal education with a major in accounting. In addition to formal education there is a need to conduct training for an auditor. Training is able to assist auditors in understanding practical knowledge and its application (Mashar, 2015) in (Smartdyanda, 2018). Based on the description, the hypothesis in this study is formulated as follows:

H1: Educatinal background influences positively audit quality.



## 2.9.2 The Effect of Ethics on Audit Quality

Each conducting the audit, each audit team members should strive to be objective in providing an assessment of his client. judgments entered should be allowed to put the facts and in accordance with the criteria and the system implemented. According to Hery (2006), an auditor in making definite decisions uses many rational considerations based on the ethics that apply in making a fair decision. As well, the decision should reflect the real situation.

To measure the level of understanding of the auditor in applying ethics requires a certain size. Professional accountants in carrying out their duties have a code of ethics. Ananda (2014) states that to perform optimally audit an auditor is required to obey the code of ethics that is going to sustain ethical behavior so as to meet the principles of accountable work. Thus, the work performed by public accountants will be focused clearly and can give a decision in a responsible manner to the parties who use the results of the auditor's decision. Arens et al (2012) argue that a public accountant must be accountable to the public, clients, and fellow practitioners with good behavior and to produce good audit quality must sacrifice personal interests. Based on the above statements the following hypothesis appears:

H2: Ethics influences positively audit quality

## CHAPTER III

### RESEARCH METHODE

#### 3.1 Research Type

This study is a causal explanation where there are problems in the form of causation between two variables. this study uses quantitative methods. In this method, researchers collect and process data in numbers and data is processed by statistical tools and techniques.

The purpose of this study is to test hypotheses and explain the effect of independent variables on the dependent variable. Independent variables are educational and ethical backgrounds, while the dependent variable is audit quality. To test the relationship of these variables, this study uses a questionnaire that will be filled by an auditor who works in the Big Four Public Accounting Firm.

#### 3.2 Population and Sample

##### 3.2.1 Population

According to Sugiyono (2010), Population can be interpreted as an object or subject that has certain qualities and characteristics that can be examined by researchers to be studied and concluded. The population of this research is auditors who work in KAP PWC, Deloitte, EY and KPMG.

### 3.2.2 Samples

According to Roscoe (1975) in Sekaran and Bougie (2013) states that the rules of proper sample size for a study is more than 30 and less than 500 and better sample size 10 times or more than the number of variables contained in a study. Therefore, in this study the research sample were 120 auditors working in KAP Big4. The researcher conducts the data collection for three weeks by online questionnaires by the submission in Google Forms. Online questionnaires by the submission in Google Forms distributed by researchers to the auditor division at KAP Big4.

In this study using convenience sampling techniques (easy data collection techniques), sampling is based on the availability of elements and the ease of getting it. Samples are taken at the right place and time. This sampling technique is used by researchers because it has the advantages of being easier, faster and more affordable.

### 3.3 Types and Data Sources

#### 3.3.1 Data Types

Data used in this research is primary data. According to Sekaran and Bougie (2013) primary data is data obtained directly by the first party. Primary data source of this study which was obtained from questionnaires distributed to auditors working in KAP Big 4 in the form of a score on the answers given by respondents to the questions contained in the questionnaire.

### 3.3.2 Data Sources

The data sources used in this study are primary data, namely data obtained directly from respondents. Secondary Data, ie data obtained from literature such as journals, books, and other scientific articles related to this study.

### 3.4 Data Collection Techniques

This study uses primary data in the form of a questionnaire. The questionnaire is a list of several questions the authors have formulated by the author (Sekaran et al., 2013). The questionnaire was distributed to the Big 4 where 1 KAP received 30 questionnaires. The questionnaire is completed with instructions for filling out questionnaires and information on where there are 5 scales. For scale 1 it is interpreted as strongly disagree, and up to a scale of 5 means strongly agree. The scale is used to measure each answer selected by the respondents.

Data collection techniques used by the author, namely through literature review and questionnaire.

1. The literature review is a technique by studying the literature such as journals, books, and other scientific works related to the problems examined by the author as a theoretical foundation.
2. The questionnaire is a technique of collecting data by asking a series of questions made in a list of questions to respondents. The contents of the questionnaire as a research instrument to be given to respondents consisted of:

a. The identity of respondents, including name, age, last education, and length of work.

b. List of questions, including questions about research variables that will involve educational background, and ethics as an independent variable (X), and audit quality as the dependent variable (Y).

### **3.5 Research Variables and Operational Definitions**

This study uses audit quality as the dependent variable (Y) and educational background, and ethics as an independent variable (X). Sekaran (2016) states that the independent variable is a variable that affects the dependent variable in a positive or negative direction, while the dependent variable is the main variable.

#### **3.5.1 Independent Variable**

The independent variables of this study are:

##### **1. Educational Background (X1)**

Educational background is an important thing that will support the quality of the resulting audit, auditors who have a good educational background will be of good quality (Cheng et al., 2009). The higher the education of someone who is in accordance with his profession, the more knowledge will be obtained by that person so that they can follow the complex development of the times (Meinhard et al., 1987 in Dharmawan, 2014). Indicators that can be measured from an educational background referring to Ramadhan (2015) are the need for accounting or formal

education audit and formal education level. This variable is measured on a 5-point

Likert scale using the statement development of each indicator.

## **2. Ethics (X2)**

Putri (2014) states that a code of ethics explains independence in thought and in appearance. Auditor independence protects the auditor's ability to formulate audit opinions without being influenced. Independence increases the auditor in maintaining his integrity, acting objectively, and being skeptical. The Code of Ethics for Professional Accountants 2018 states five ethical principles that must be obeyed by auditors in carrying out audits. The five principles are; (1) integrity; (2) objectivity; (3) competence and prudence; (4) confidentiality; (5) professional behavior. This variable is measured on a 5-point Likert scale using the statement development of each indicator.

### **3.5.2 Dependent Variables**

The dependent variable is the main variable in a study. The variable in this research is audit quality.

Audit quality includes the process and results of audits conducted by the auditor on the client's financial statements that are useful for many parties who need information from the financial statements. In the process the auditor will test the financial statements to enable the auditor to find errors that occur in the financial statements. In this study the Big 4 will illustrate how influential the Education Background and Ethics on Quality Audit.

### 3.5 Analysis Method Data

#### 3.5.1 Descriptive Statistic Analysis

Research that measures variables with questionnaire instruments must be tested for data that has been obtained. This test aims to determine whether the instruments used are valid and reliable because the correctness of the data processed greatly determines the quality of the results of the research.

The validity and reliability testing of the questionnaire in this study used the SPSS program (Statistical Product and Service Solution). There are two concepts for measuring data quality, namely:

##### a. Validity test

Validity test is a measure that shows the level of validity or validity of an instrument. A questionnaire is said to be valid if the question in the questionnaire is able to reveal something that will be measured by the questionnaire. The correlation formula that can be used is the one proposed by Pearson, known as the Product Moment correlation formula. Data is declared valid if the value of  $r$ -count which is the value of Corrected Item-Total Correlation is greater than  $r$ -table at significance 0.01 (1%).

### b. Reliability Test

Reliability testing shows that an instrument is reliable enough to be used as a data collection tool because the instrument is good. A questionnaire is said to be reliable or reliable if someone's answer in the questionnaire is stable over time. A questionnaire is said to be reliable if it gives the Cronbach's alpha value above 0.6, and vice versa.

### 3.5.3 Classical Assumption Test

The classic assumption test aims to ensure that the model meets the criteria where there is no multicollinearity, there is no heterocedasticity, and there is no autocorelity (Sudrajat, 1988: 164). Following is the classic assumption test used

### 3.5.2 Normality Data Test

According to Ghozali (2009: 212) the purpose of the normality test is to test the regression model for independent and dependent variables whether it has been distributed normally or not. To see whether it is normally distributed or not, it is tested using the Kolmogorov-Smirnov test (Santoso, 2010: 90). The conclusions can be taken with the following conditions:

- a. If  $\text{Asymp. Sig} < \text{significance level} (\alpha = 0.05)$  then the data is distributed abnormally.
- b. If  $\text{Asymp. Sig} > \text{significance level} (\alpha = 0.05)$  then the data is normally distributed.



### 3.5.3.1 Multicollinearity Test

Multicollinearity test aims to test whether the regression model has a relationship between independent variables. A good regression model is if there is no correlation between the independent variables. To detect the presence or absence of multicollinearity in the regression model are as follows (Ghozali, 2005: 92):

1. Having a tolerance figure above ( $>$ ) 0.1
2. Having variance inflation value factor (VIF) under ( $<$ ) 10.

### 3.5.3.2 Heterocedasticity Test

Heterocedasticity test aims to test whether in the regression model variance occurs. If the variance of the residuals is fixed, it is called homokedasticity and if it is different it is called heterocedasticity. A good regression model is if homokedasticity or heterocedasticity does not occur (Ghozali, 2005: 105).

### 3.5.4 Hypothesis Test

#### 3.5.4.1 Multiple Regression Test

Multiple regression analysis in this study is used to test whether there are significant variables Educational Background (X1) and Ethics (X2) on the Quality Audit (Y). The multiple linear regression equations used are:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Information:

Y = Audit Quality

X1 = Educational Background

X2 = Ethics

a0 = Constants

e = Error

#### 3.5.4.2 T Test

T test is used to determine the significance level of each independent variable on the dependent variable separately. Where can be done in the following ways:

**H1** : There is the influence of the independent variables X1 , X2 , X3 and X4 simultaneously on the dependent variable Y.

**H0** : There is no influence of independent variables X1 , X2 , X3 on the dependent variable Y.

The value of the t statistic with the provisions of significance (level of significant- $\alpha$ ) must be below 0.05. If the level of significance of the statistical value t from the calculation results is smaller than 0.05 then H0 is rejected and H1 is accepted. This means that there is a partial effect between the independent variable on the dependent variable. If the level of significance of the statistical value t of the

calculation results is greater than 0.05, then  $H_0$  is accepted and  $H_1$  is rejected. That is, there is no partial effect between the independent variables on the dependent variable.

#### 3.5.4.3 Test F

To determine whether there is a difference of influence simultaneously and singly from the independent variable X to Y, in this research F indicates whether the independent variables included in the model have an influence on the dependent variable.

The F test is used for whether all independent variables have a simultaneous or simultaneous influence on the dependent variable. The criteria used is; If probability value (p-value) F-test or significance value is less than 5% ( $<0.05$ ) then  $H_0$  is rejected. Therefore, if  $H_0$  is rejected, the independent variable simultaneously influences the dependent variable.



**CHAPTER IV**  
**DATA ANALYSIS AND RESEARCH RESULT**

**4.1 Data Collection Result**

**4.1.1 Description of Respondents**

This section we explore two main activities the following studies. First, do a regression analysis with the steps: determining sample research data variables X and Y. Next calculate the normality of the dependent variable Y residues and testing the independence of the independent variable X. thereafter, perform multiple regression analysis the variables X1 and X2 to variable Y. second, a discussion of the results and findings of the study were obtained from the first activity.

This study aims to examine the effect of educational background variables (X1) and ethical variables (X2) on audit quality (Y) on the auditors of KAP PwC, KAP EY and KAP KPMG. Based on the results of the sample selection using the purposive sampling method obtained research samples with the following details:

**Table 4.1**

**Table of Returned Questionnaires**

No	Criteria	Amount of Data
1	Distributed the questionnaires to Auditor at KAP Big Four	120
2	Auditor KAP Big Four Unfilled the questionnaires	(46)
3	Auditor KAP Big Four Returned the questionnaires	74

From the table above it can be seen if the number of the first questionnaire was distributed by 120 questionnaires with the calculation of each KAP 30 questionnaire. In this study, only 74 questionnaires were returned so that 74 questionnaires were used as samples. Hypothesis testing in this study was conducted using multiple linear regression tests with the help of SPSS 24.0 for Windows software.

After obtaining a sample that will be used as testing data, the first data processing is done by processing descriptive statistical data. Descriptive statistics is a general statistical testing which aims to see the data distribution of the variables used as samples in this study. Data obtained from the results of the descriptive analysis showed the highest value (maximum), the lowest value (minimum), average (mean) and standard deviation of each variable studied. The results of the descriptive analysis can be seen in Table 4.2 below:

**Table 4.2**  
**Descriptive analysis results**

	Educational Background	Ethics	Audit Quality
Mean	19,53	45,93	50,86
Median	20,00	48,00	51,50
Std. Deviation	2,761	5,976	6,740
Minimum	10	10	14
Maximum	25	50	60
Sum	1445	3399	3764

(Sources:Result of Processing Data, 2019)

The results of the descriptive statistical test show that the Educational Background variable has a minimum of 10 and a maximum value of 25. The Educational Background average is 19.53 with a standard deviation of 2.761. Variable ethics has a minimum value of 10 and a maximum value of 50. The average value of the variable Ethics at 45.39 with a standard deviation of 5.976. The audit quality variable has a minimum of 14 and a maximum value of 60. The average audit quality is 50.86 with a standard deviation of 6.740.

#### 4.2 Demographics of Respondents

Based on data obtained from 74 questionnaires that can be responded to, the following demographic data of respondents who participated in filling out the questionnaire.

Table 4.3

Demographics of Respondents

No	Demographics of Respondents	Number of Respondents	Percentage
1	Gender		
	<ul style="list-style-type: none"> <li>• Man</li> <li>• Woman</li> </ul>	<ul style="list-style-type: none"> <li>22</li> <li>52</li> </ul>	<ul style="list-style-type: none"> <li>30%</li> <li>70%</li> </ul>
	Total	74	100%
2	Age		
	<ul style="list-style-type: none"> <li>• &lt;25</li> <li>• 26-35</li> <li>• 36-55</li> <li>• &gt;55</li> </ul>	<ul style="list-style-type: none"> <li>61</li> <li>11</li> <li>2</li> <li>0</li> </ul>	<ul style="list-style-type: none"> <li>82%</li> <li>15%</li> <li>3%</li> <li>0%</li> </ul>
	Total	74	100%
	3	Last Formal Education	
	<ul style="list-style-type: none"> <li>• D3</li> <li>• S1</li> <li>• S2</li> <li>• S3</li> </ul>	<ul style="list-style-type: none"> <li>0</li> <li>73</li> <li>1</li> <li>0</li> </ul>	<ul style="list-style-type: none"> <li>0%</li> <li>99%</li> <li>1%</li> <li>0%</li> </ul>
	Total	74	100%
4	Position		
	<ul style="list-style-type: none"> <li>• Junior Auditor</li> <li>• Senior Auditor</li> <li>• Partner</li> <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>53</li> <li>19</li> <li>0</li> <li>2</li> </ul>	<ul style="list-style-type: none"> <li>72%</li> <li>26%</li> <li>0%</li> <li>2%</li> </ul>
	Total	74	100%

5	Length of work		
	• <1	31	42%
	• 1-5 year	38	51%
	• 6-10 year	3	4%
	• >10 year	2	3%
Total		74	100%

(Sources:Result of Processing Data, 2019)

### 1. Gender

The number of respondents who participated in this study were respondents with male sex as many as 22 people (30%) while the number of respondents who were female was 52 people (70%).

### 2. Age

Based on the results of data and questionnaires collected stated that the majority of respondents in this study were auditors with uasia> 25 with a total of 61 people (82%), followed by auditors who had an age range of 26-35 years with a total of 11 people (15%). While auditors who have an age range of 36-55 only amount to 2 people (3%).

### 3. Last Formal Education

Based on the results of data processing and questionnaires collected, the last formal education undertaken by the majority of auditors at the Public Accountant's Office is S1 with a total of 73 people (99%) and for the last formal education S2 is 1 person (1%).





#### 4. Position

Based on the results of data processing and questionnaires collected, the position of respondents for Junior Auditors was 53 people (72%) then for Senior Auditors as many as 19 people (26%) and 2 (2%) people with Manager positions which were included in the category; ain- stated in the questionnaire.

#### 5. Length of work

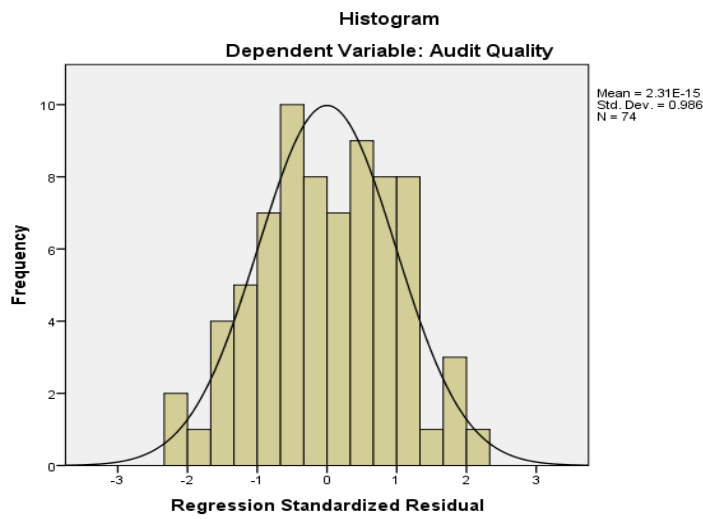
Based on the results of data processing and questionnaires collected, the respondent's length of work became an auditor > 1 year as many as 31 people (42%), working time for 1-5 years 38 people (51%), followed by work experience for 6-10 years as much as 3 people (4%) and over ten years as many as 2 people (3%).

#### 4.3 Normality Test Results

The normality test aims to test whether in the research model the variables are normally distributed. Normality test data in this study using a test One Sample Kolmogorov-Smirnov tests contained in SPSS 24.0 for Windows. Data is said to be normally distributed if the residuals are normally distributed which has a significance level above 5% (Ghozali, 2011: 160).

Normality testing is done to see whether the residual value obtained from the model follows a normal distribution or not. The test results show the residuals are normally distributed, with the test results as follows:

**Figure 4.2 Histogram Variabel Dependen: Kualitas Audit**

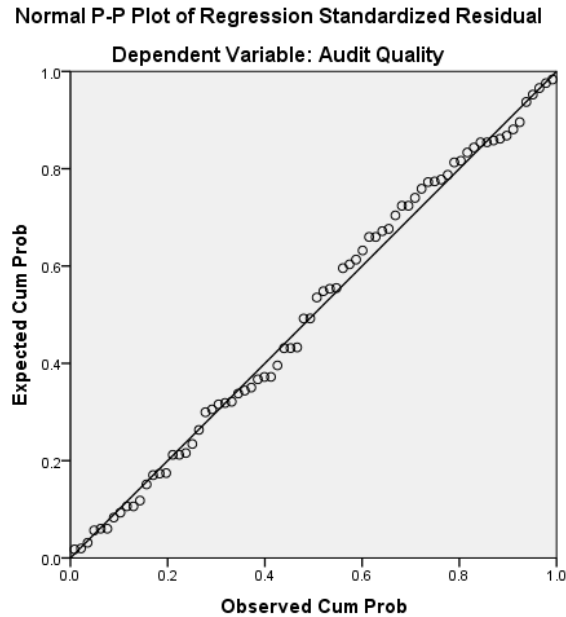


(Sources:Result of Processing Data, 2019)

Based on the Histogram Graph test above, it was found that the most residual frequencies accumulate at 0 or the data spread values are in accordance with the normal curve so that it is said that the residuals are distributed by normal distribution.

**Figure 4.3**

**P-Plot**



(Sources:Result of Processing Data, 2019)

Based on the P-P plot above, the data points have spread along a diagonal line, so it is said that the residuals have spread normally.

**Table 4.4**

**One-Sample Kolmogorov-Smirnov test**

<i>Test Statistic</i>	<i>Asymp. Sig. (2-tailed)</i>
0.054	0.200

(Sources:Result of Processing Data, 2019)

From table 4.4, the value of the Kolmogorov-Smirnov Audit Quality variable is 0.054 and the significance value is 0.200 > Asymp. Sig. (2-tailed) of 0.05. Based on

the results of the normality test, it can be concluded that the data is normally distributed.

#### 4.4 Multicollinearity Test

This test is used to determine whether the regression model found a correlation between independent variables or not. This test is done by comparing the tolerance value and the VIF value of each independent variable obtained from multiple regression calculations. If the tolerance value  $> 0.10$  and VIF value  $< 10$ , it can be concluded that there is no multicollinearity between independent variables.

**Tabel 4.5**  
**Multicollinearity Test Results**

Independent Variable	Collinearity Statistics	
	Tolerance	VIF
X1	0.728	1.734
X2	0.728	1.374

(Sources:Result of Processing Data, 2019)

Based on the multicollinearity test results above, the tolerance value of each independent variable  $> 0.10$  and the VIF value  $< 10$ , it can be concluded that there is no multicollinearity between the independent variables in this study.



#### 4.5 Test Results Heteroscedasticity

Heteroscedasticity test was conducted to test whether the regression model occurred inequality residual variance from one observation to another observation. A good regression model is homocedasticity or not heteroscedasticity (Ghozali 2009: 125). The heteroscedasticity test in this study was tested with SPSS. The results of heteroscedasticity of the regression equation are presented in the following figure:

**Table 4.6**  
**Heteroscedasticity Test Result**  
**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	<b>1.774</b>	<b>3.256</b>		<b>.000</b>	<b>1.000</b>
X1	<b>.000</b>	<b>.162</b>	<b>.000</b>	<b>.000</b>	<b>1.000</b>
X2	<b>.000</b>	<b>.075</b>	<b>.000</b>	<b>.000</b>	<b>1.000</b>

(Source: Data Processing Results, 2019)

From the test results it was found that the value of sig. all variables are  $> \alpha$  ( $\alpha = 0.5$ ), so it can be concluded that there are no symptoms of Heteroscedasticity.

Heteroskedastisity test results show that for an unknown variable Educational Background signifikasnsi value (Sig) is 1,000 and for variable Ethics is 1,000.

Because the significance value of the two variables is greater than 0.05, according to the basis of decision making, it can be concluded that there are no symptoms of heteroscedasticity.

## 4.6 Hypothesis Testing Results

### 4.6.1 Determination Coefficient Test Results R<sup>2</sup>

In simple terms the coefficient of determination is calculated by squaring the correlation coefficient (R) illustrating how much variation of the dependent variable Y can be explained by the independent variable X. If the coefficient of determination is equal to 0 ( $R^2 = 0$ ), it means that the variation of Y cannot be explained by X at all.

Meanwhile, when  $R^2 = 1$ , meaning that the variation of Y as a whole can be explained or influenced by the variable X. R<sup>2</sup> determination test results are shown below:

**Table 4.8**  
**Regression Analysis**  
**Model Summary<sup>b</sup>**

R Square	Std. Error of the Estimate
.773	3.258

(Sources: Result of Data Processing, 2019)

According to the picture above the value of R Square = 0.773 indicates that the Audit Quality variable (Y) is influenced by Educational Background (X1) and Ethics (X2) of 77.0% and the remaining 23% is influenced by other factors not calculated in this study.

The standard error of estimate means measuring the variation of the predicted value.

The standard error off estimate value is 3.258, the smaller the standard error of estimate means the better the model.

**4.6.2 F Test Result**

The F Statistic Test basically shows if all independent or independent variables included in the model have a joint influence on the dependent or bound variable (Ghozali, 2011: 98). Test F has the hypothesis test criteria used are as follows:

If the probability value / significant is  $< 0.05$  then  $H_0$  is rejected

If the probability / significance value is  $> 0.05$  then  $H_0$  is accepted

To obtain more accurate results, researchers used the help of the SPSS software version 24.00. The results of the F test analysis are seen from the following picture:

**Table 4.10 F Test Result**

ANOVA <sup>a</sup>			
Model		F	Sig.
1	Regression	120.761	.000 <sup>b</sup>
	Residual		
	Total		

(Sources:Result of Processing Data, 2019)

Based on the picture above, the significant value of 0.000 smaller than 0.05 causes  $H_0$  is rejected it means variable X represented Cosmos Educational Background influential variable Y Audit Quality.

### 4.6.3 T Test Result

The t test is used to determine whether the independent variables partially influence significantly or not on the dependent variable, the measure of significance used is 0.05 (Gozali, 2009: 88). If the significance value is smaller than the size of significance, the hypothesis states that an independent variable partially affects the dependent variable significantly and consistently.

Based on the results of the SPSS 24 test the results of the t test are as follows:

**Table 4.9 T Test Result**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Beta		
1 (Constant)	2.002	3.256		.615	.541
X1	.500	.162	.205	3.087	.003
X2	.851	.075	.755	11.381	.000

(Sources:Result of Data Processing, 2019)

Based on table 4.9 the results of the Multi Linear Regression Test obtained a value of t count of 3.087 and obtained a value of t table 1.99394 which means the calculated value is greater than the value of t table so it can be concluded that H1 or the first hypothesis is accepted. This means that there is an influence of the Education Background on Audit Quality.



#### 4.7 Discussion of Results

##### 1. Educational Background influence on audit quality

The hypothesis proposed in this study is that educational background has a significant positive effect on audit quality. Based on the results of the study indicate that the Educational Background variable has a positive effect on Audit Quality. The results of partial hypothesis testing (T Test) Educational Background variables have t count greater than t table which is 3,087 where the t table is 1,94394 and the significance value is smaller than alpha that is  $(0,003 > 0,05)$  so that the quality variable can be concluded audits are influenced by Educational Background variables. This is consistent with previous research conducted by Mulyono (2009) where the results of the study say that the Educational Background has a positive effect seen from the regression coefficient of educational background of 0.202 and significant because the value of t count  $>$  t table  $(2.481 > 2,03)$ . The estimation results show in accordance with Education theory (Moore, 1974) which states that education does not only focus on learning, but also focuses on character building which will produce certain types of people who are expected to become ideal communities for their environment. Muzahid (2004) also states that with education, someone will easily understand and understand what they have to do or do in job. This is in accordance with the opinion (Batubara, 2008) which reveals that the quality of audits is required to be higher so that the results of the examination are demanded higher so that the results of the examination are able to provide value for what has been implemented against the applicable standards, it confirms that the auditor must have a

good educational background. Education for auditors must be able to improve audit quality and achievements in the field of education to guarantee the quality of the workforce. This study also strengthens the results of (Subhan, 2012) which based on the results of the F test shows that simultaneously the educational background variable affects audit quality.

## 2. Ethics Influence on Audit Quality

Based on the results of the research show that ethics has a positive significant effect on audit quality. The results of partial hypothesis testing (T Test) Ethical variables have a t count greater than t table that is 11,381 where the t table is 1,94394 and the significance value is smaller than alpha that is  $(0,000 > 0,05)$  so it can be concluded that audit quality variables are influenced by the Ethics variable. This is in accordance with the theory (Sarwono, 2004) which states that human behavior is the result of all forms of activities and human interactions with the environment that are shown in the form of knowledge, attitudes, and actions. This strengthens the research of (Wulandari, 2018) where the results of the t test of professional ethics effect on audit quality with significant value  $0,000 \text{ ethics variable} > 0,05$  so welcome and professional ethics hypothetical effect on audit quality in receiving. Previous research by (Imansari, 2015) also gave the results of a significance value of  $> 0,05$  which is equal to 0,000 where the auditor ethically partially influenced the audit quality.

## CHAPTER V

### CONCLUSION AND RECOMENDATION

#### 5.1 Conclusion

This study aims to examine the effect of educational background and ethical background on audit quality, case studies on PricewaterhouseCooper, Deloitte, EY and KPMG or known as Big 4. Data analysis was performed using simple linear regression with the help of SPSS 24 for windows.

Based on results of data analysis and hypothesis testing it can be concluded that Educational Background with Audit Quality shows a significant positive influence. Therefore the first hypothesis which states that Educational Background significantly affects Audit Quality has been proven.

This proves that from the test results, an auditor is required to have a good educational background, both formal and informal education. Formal education must be accompanied by informal education such as trainings or seminars on audits to increase knowledge for an auditor to do his work which will have an influence on audit quality.

Ethics with Audit Quality shows a significant positive influence. Therefore, the second hypothesis which states that ethics significantly influence Audit Quality has been proven.

This proves that to be an auditor must have a good ethics. Auditors in their work must uphold the applicable ethics and understand well the professional ethics of auditors in order to continue to understand what should be done and should not be done as an auditor which will influence audit quality.

### **5.2 Research Limitations**

This research is inseparable from the limitations. In conducting this research the researcher had to wait for the respondents' spare time to remember to coincide with the high season auditor so they had to wait a little longer. This study uses convenience sampling technique, which is an easy sampling technique and depends on the availability of elements. Another limitation in this study is using convenience sampling technique, which is a sampling technique that is easy and depends on the availability of elements.

### **5.3 Recommendation**

From the results of analysis and conclusions that have been drawn, the researcher provides several suggestions as follows:

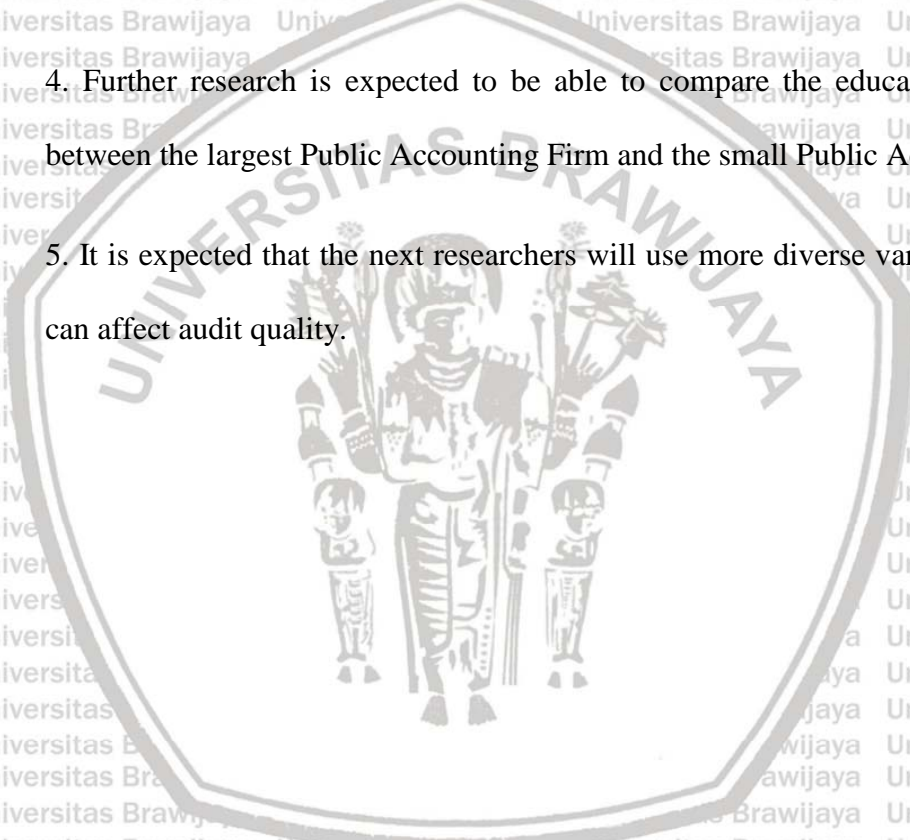
1. To obtain more respondents, then the researcher should further distribute the questionnaire at a time when the auditors do not have a high level of activity and further extend the time to return the questionnaire.

2. Ethical on Audit Quality results that have a significant effect on audit quality, it is better to provide supporting programs for auditors so that they continue to uphold existing ethics and will produce good audit quality results.

3. Auditors must often conduct training or seminars to support knowledge will have an impact on the results of a given audit quality.

4. Further research is expected to be able to compare the educational background between the largest Public Accounting Firm and the small Public Accounting Firm.

5. It is expected that the next researchers will use more diverse variables to see what can affect audit quality.



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**Previous Research**

No.	Researcher	Title	Results
1.	Batubara (2008)	Analysis of the Influence of Educational Background, Professional Skills, Education	Educational Background has no significant effect on Audit Quality
2.	Mulyono (2009)	Analysis of Competency Factors of the Inspectorate Apparatus and Its Effect on the Performance of the Inspectorate of Deli Regency	Educational Background partially has a significant influence on audit quality
3.	Subhan (2012)	Effects of Educational Background, Technical Competence, Education, Continuing Training, and Work Experience on Audit Quality	Educational Background has a significant influence on Audit Quality
4.	Imansari (2015)	Influence of Auditor Competence, Independence, Experience and Ethics on Audit Quality (Empirical Study of Auditors in Public Accountant Firm in Malang City)	Auditor Ethics partially influences Audit Quality
5.	Wulandari (2018)	The Influence of Independence, Professional	Professional Ethics affect Audit

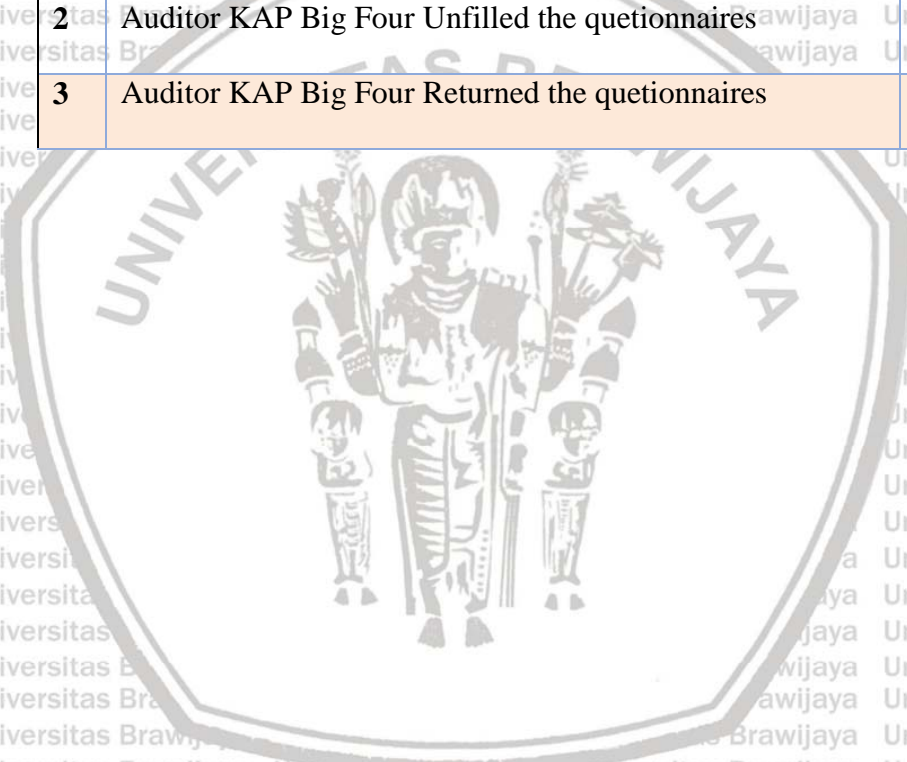
		Ethics, Work Experience, and Auditor Integrity on Audit Quality (Empirical Study at Public Accountants in Surakarta and Yogyakarta)	Quality
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**APPENDIX I**

**Criteria of Sampling**

No	Criteria	Amount of Data
1	Distributed the questionnaires to Auditor at KAP Big Four	120
2	Auditor KAP Big Four Unfilled the questionnaires	(46)
3	Auditor KAP Big Four Returned the questionnaires	74



## APPENDIX II The T-Table of Multiple Regression Analysis

### DISTRIBUSI NILAI $t_{\text{tabel}}$

d.f	$t_{0.10}$	$t_{0.05}$	$t_{0.025}$	$t_{0.01}$	$t_{0.005}$
1	3.078	6.314	12.71	31.82	63.66
2	1.886	2.920	4.303	6.965	9.925
3	1.638	2.353	3.182	4.541	5.841
4	1.533	2.132	2.776	3.747	4.604
5	1.476	2.015	2.571	3.365	4.032
6	1.440	1.943	2.447	3.143	3.707
7	1.415	1.895	2.365	2.998	3.499
8	1.397	1.860	2.306	2.896	3.355
9	1.383	1.833	2.262	2.821	3.250
10	1.372	1.812	2.228	2.764	3.169
11	1.363	1.796	2.201	2.718	3.106
12	1.356	1.782	2.179	2.681	3.055
13	1.350	1.771	2.160	2.650	3.012
14	1.345	1.761	2.145	2.624	2.977
15	1.341	1.753	2.131	2.602	2.947
16	1.337	1.746	2.120	2.583	2.921
17	1.333	1.740	2.110	2.567	2.898
18	1.330	1.734	2.101	2.552	2.878
19	1.328	1.729	2.093	2.539	2.861
20	1.325	1.725	2.086	2.528	2.845
21	1.323	1.721	2.080	2.518	2.831
22	1.321	1.717	2.074	2.508	2.819
23	1.319	1.714	2.069	2.500	2.807
24	1.318	1.711	2.064	2.492	2.797
25	1.316	1.708	2.060	2.485	2.787
26	1.315	1.706	2.056	2.479	2.779
27	1.314	1.703	2.052	2.473	2.771
28	1.313	1.701	2.048	2.467	2.763
29	1.311	1.699	2.045	2.462	2.756
30	1.310	1.697	2.042	2.457	2.750
31	1.309	1.696	2.040	2.453	2.744
32	1.309	1.694	2.037	2.449	2.738
33	1.308	1.692	2.035	2.445	2.733
34	1.307	1.691	2.032	2.441	2.728
35	1.306	1.690	2.030	2.438	2.724
36	1.306	1.688	2.028	2.434	2.719
37	1.305	1.687	2.026	2.431	2.715
38	1.304	1.686	2.024	2.429	2.712
39	1.304	1.685	2.023	2.426	2.708
40	1.303	1.684	2.021	2.423	2.704
41	1.303	1.683	2.020	2.421	2.701
42	1.302	1.682	2.018	2.418	2.698
43	1.302	1.681	2.017	2.416	2.695
44	1.301	1.680	2.015	2.414	2.692
45	1.301	1.679	2.014	2.412	2.690
46	1.300	1.679	2.013	2.410	2.687
47	1.300	1.678	2.012	2.408	2.685
48	1.299	1.677	2.011	2.407	2.682
49	1.299	1.677	2.010	2.405	2.680
50	1.299	1.676	2.009	2.403	2.678
51	1.298	1.675	2.008	2.402	2.676
52	1.298	1.675	2.007	2.400	2.674
53	1.298	1.674	2.006	2.399	2.672
54	1.297	1.674	2.005	2.397	2.670
55	1.297	1.673	2.004	2.396	2.668
56	1.297	1.673	2.003	2.395	2.667
57	1.297	1.672	2.002	2.394	2.665
58	1.296	1.672	2.002	2.392	2.663
59	1.296	1.671	2.001	2.391	2.662
60	1.296	1.671	2.000	2.390	2.660

Dari "Table of Percentage Points of the t-Distribution." *Biometrika*, Vol. 32. (1941), p. 300. Reproduced by permission of the Biometrika Trustees.



**APPENDIX III**  
**The SPSS 24 Results**

		Educational Background	Ethichs	Audit Quality
N	Valid	74	74	74
	Missing	0	0	0
Mean		19,53	45,93	50,86
Median		20,00	48,00	51,50
Mode		19 <sup>a</sup>	50	46 <sup>a</sup>
Std. Deviation		2,761	5,976	6,740
Minimum		10	10	14
Maximum		25	50	60
Sum		1445	3399	3764

a. Multiple modes exist. The smallest value is shown

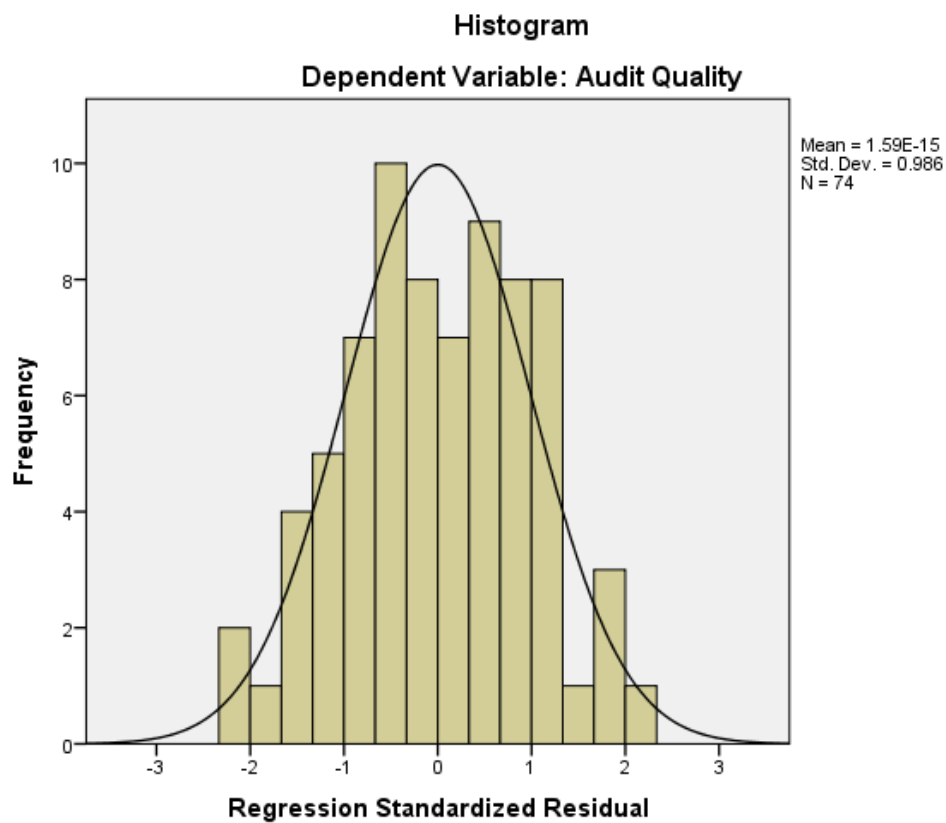


### One-Sample Kolmogorov-Smirnov Test

Unstandardized Residual

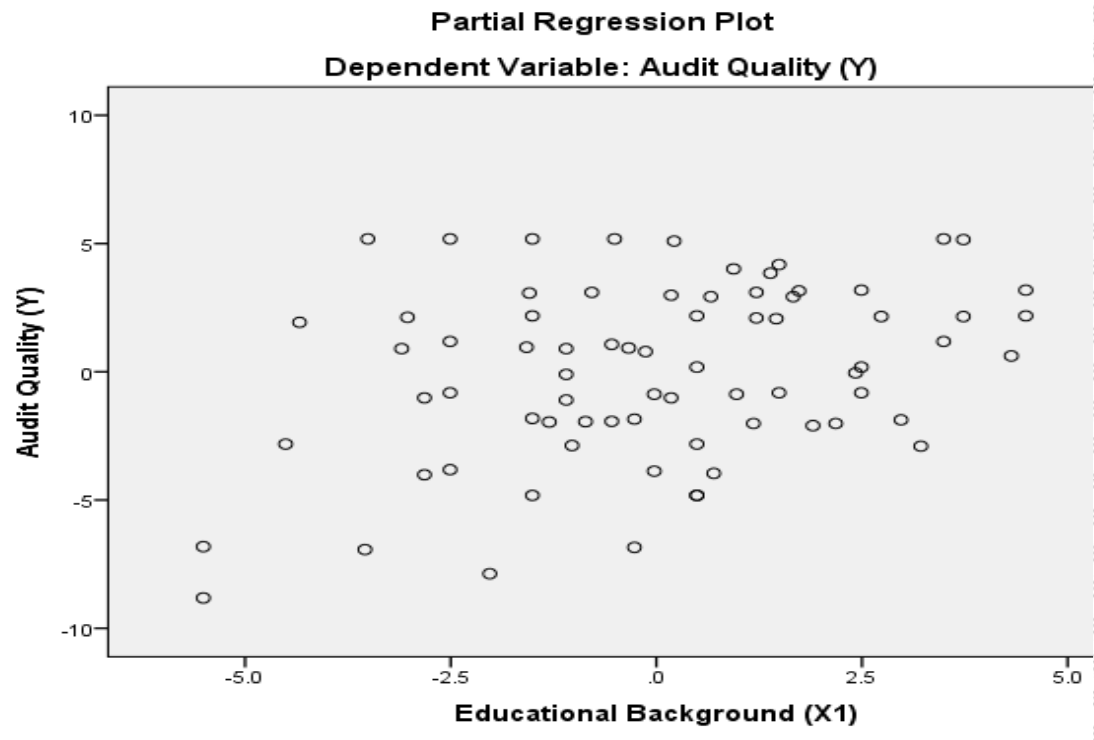
N		74
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	3.21274746
	Most Extreme Differences	
	Absolute	.054
	Positive	.049
	Negative	-.054
Test Statistic		.054
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

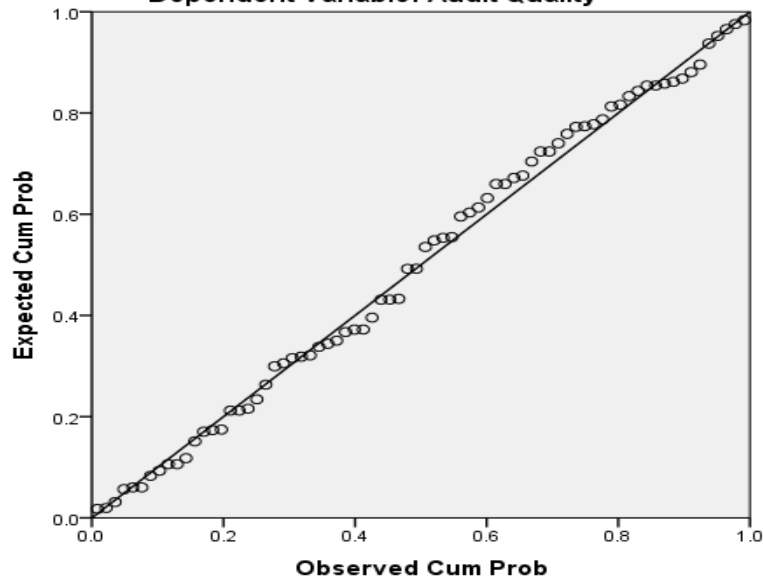


Model	Coefficients <sup>a</sup>					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
(Constant)	2.002	3.256		.615	.541		
Educationa l Backgroun d (X1)	.500	.162	.205	3.087	.003	.728	1.374
Ethics (X2)	.851	.075	.755	11.381	.000	.728	1.374

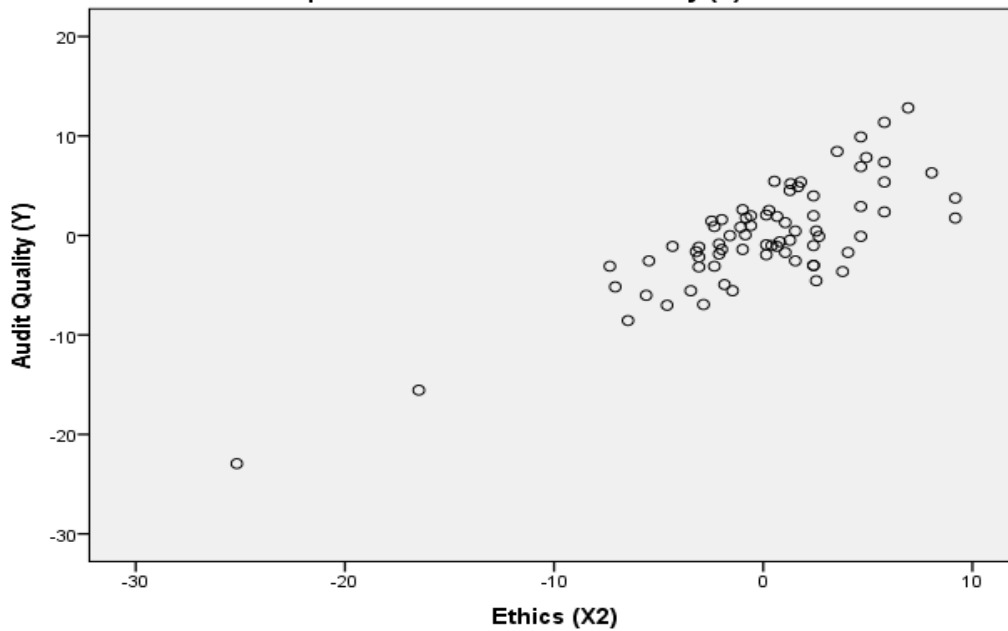
a. Dependent Variable: Audit Quality (Y)



**Normal P-P Plot of Regression Standardized Residual**  
Dependent Variable: Audit Quality



**Partial Regression Plot**  
Dependent Variable: Audit Quality (Y)



**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.879 <sup>a</sup>	.773	.766	3.258	1.879

a. Predictors: (Constant), Ethics (X2), Educational Background (X1)

b. Dependent Variable: Audit Quality (Y)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	2.002	3.256		.615	.541
	Educational Background (X1)	.500	.162	.205	3.087	.003
	Ethics (X2)	.851	.075	.755	11.381	.000

a. Dependent Variable: Audit Quality (Y)

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2563.161	2	1281.581	120.761	.000 <sup>b</sup>
	Residual	753.487	71	10.612		
	Total	3316.649	73			

a. Dependent Variable: Audit Quality (Y)

b. Predictors: (Constant), Ethics (X2), Educational Background (X1)

**IDENTITAS RESPONDEN**

1. Nama:
2. Umur:
3. Jenis Kelamin:
4. Pendidikan Terakhir:
5. Jabatan:
6. Lama Bekerja:
7. KAP:

**Cara pengisian kuesioner:**

Bapak/ibu cukup memberikan tanda silang (X) pada jawaban yang menurut pendapat Bapak/Ibu sesuai. Terdapat dua bagian dalam kuesioner ini, setiap pernyataan pada setiap bagian cukup diberikan satu jawaban. Setiap angka akan mewakili tingkat kesesuaian dengan pendapat Bapak/Ibu. Skor/Nilai jawaban adalah sebagai berikut:

- Skor/Nilai 1 : Sangat tidak setuju (STS)
- Skor/Nilai 2 : Tidak setuju (TS)
- Skor/Nilai 3 : Netral (N)
- Skor/Nilai 4 : Setuju (S)
- Skor/Nilai 5 : Sangat setuju (SS)

Atas partisipasi dan kerjasamanya, saya mengucapkan terimakasih.

**Bagian A**

No	Pernyataan	Pilihan				
		1	2	3	4	5
1	Auditor membutuhkan pendidikan formal untuk melakukan audit yang baik.					
2	Dengan memiliki jenjang pendidikan yang tinggi, maka hasil audit oleh Auditor menjadi semakin baik.					
3	Auditor harus mengikuti seminar dan pelatihan untuk memperluas pengetahuan mengenai audit minimal 3 kali dalam setahun.					
4	Auditor harus memahami ilmu statistik serta mempunyai keahlian menggunakan komputer					
5	Auditor yang memiliki sertifikat dari kursus dalam bidang akuntansi dan perpajakan akan menghasilkan hasil audit yang baik.					

**Bagian B**

No	Pernyataan	Pilihan				
		1	2	3	4	5
1	Sebagai seorang Auditor, saya harus bersikap terus terang dan tegas dalam menjalankan setiap penugasan.					
2	Sebagai seorang Auditor, saya harus wajib bersikap jujur dan bersungguh-sungguh dalam melaksanakan pekerjaan.					

3	Sebagai seorang Auditor, saya harus bertindak objektif sesuai dengan bukti-bukti yang diperoleh selama melakukan penugasan.				
4	Sebagai seorang Auditor, saya harus menjaga objektivitas serta bebas dari pengaruh yang tidak layak dari pihak-pihak lain.				
5	Sebagai seorang Auditor, saya menggunakan keahlian yang saya miliki dalam setiap jasa profesional yang diberikan.				
6	Sebagai seorang Auditor, saya harus bertindak profesional sesuai dengan standar profesi dan kode etik profesi dalam memberikan jasa audit.				
7	Sebagai seorang Auditor, saya wajib menjaga kerahasiaan informasi klien selama menjalankan audit.				
8	Sebagai seorang Auditor, saya akan mengungkapkan informasi sehubungan dengan klien apabila mendapat persetujuan dari klien dan sesuai dengan ketentuan hukum.				
9	Sebagai seorang Auditor, saya mempunyai kewajiban untuk mematuhi peraturan dan hukum yang berlaku dalam setiap penugasan audit.				
10	Sebagai seorang Auditor, saya memiliki keharusan untuk selalu menjunjung tinggi sikap profesional sebagai auditor.				



**Bagian C**

No	Pernyataan	Pilihan				
		1	2	3	4	5
1	Auditor harus memiliki pengetahuan dan pengalaman dalam mengaudit suatu perusahaan atau badan.					
2	Auditor harus mempunyai keahlian secara efektif perusahaan atau badan yang diaudit.					
3	Auditor mau menerima pendapat atau saran sesuai dengan kebutuhan klien.					
4	Auditor kompeten secara teknik dalam mengaplikasikan standar dan kode etik pemeriksaan.					
5	Auditor bersifat independen (tidak memihak) dengan klien.					
6	Auditor selalu melatih diri dan bertindak due audit care (bertanggung jawab) dalam pelaksanaan audit.					
7	Auditor mempunyai komitmen yang kuat akan kualitas audit yang dihasilkan.					
8	Auditor bertindak secara tepat dalam pelaksanaan audit di lapangan atau sesuai dengan program audit yang dihasilkan.					
9	Auditor secara efektif selalu berhubungan dengan internal audit sebelum dan selama kegiatan audit.					
10	Auditor memiliki standar etik yang tinggi dan sangat menguasai pengetahuan tentang					



	akuntansi dan auditing.			
11	Auditor selalu menjaga sikap skeptis selama pelaksanaan audit.			
12	Batasan waktu audit dianggap sebagai beban bagi auditor.			
13	Terbatasnya waktu dalam mengaudit, menjadikan auditor memperoleh bukti yang kurang maksimal.			
14	Adanya perjanjian dalam waktu audit membuat kualitas audit akan menurun.			
15	Perlu adanya batasa waktu unuk diberikan auditor dalam melaksanakan kegiatan audit.			

**RESPONDENT IDENTITY**

1. Name:
2. Age:
3. Gender:
4. Latest Education:
5. Position:
6. Length of Work:
7. KAP:

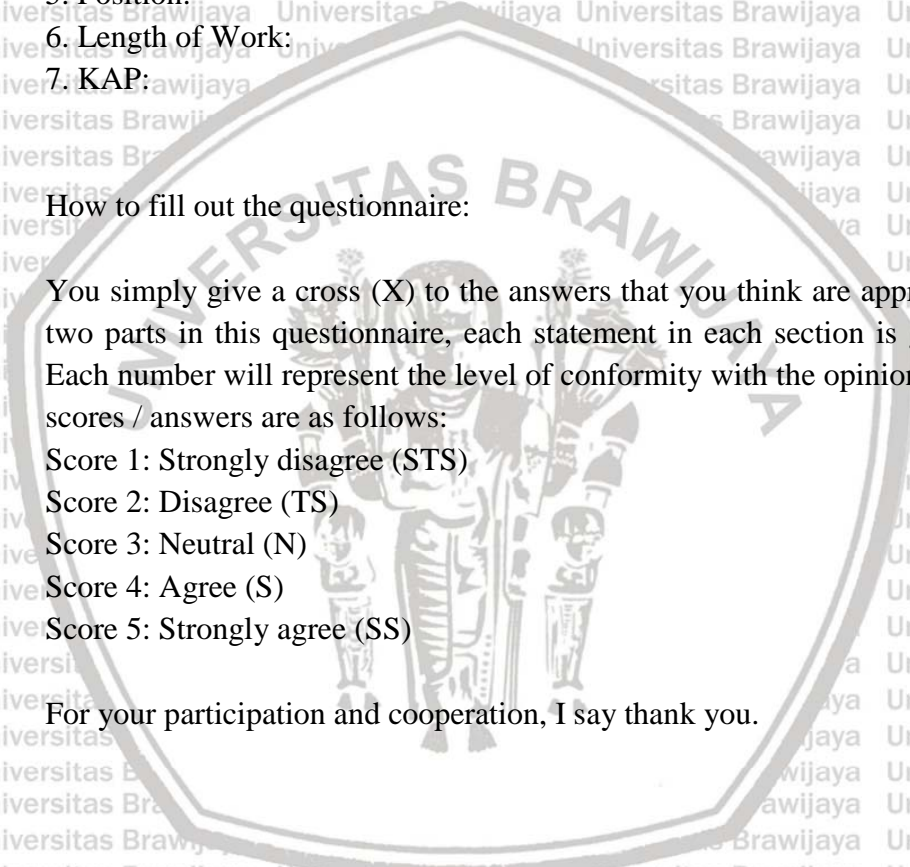
How to fill out the questionnaire:

You simply give a cross (X) to the answers that you think are appropriate. There are two parts in this questionnaire, each statement in each section is given one answer.

Each number will represent the level of conformity with the opinion of Mr / Mrs. The scores / answers are as follows:

- Score 1: Strongly disagree (STS)
- Score 2: Disagree (TS)
- Score 3: Neutral (N)
- Score 4: Agree (S)
- Score 5: Strongly agree (SS)

For your participation and cooperation, I say thank you.



**Section A**

No	Pernyataan	Pilihan				
		1	2	3	4	5
1	The auditor needs formal education to conduct a good audit.					
2	By having a high level of education, the audit results by the Auditor are getting better.					
3	Auditors must attend seminars and training to expand their knowledge of audits at least 3 times a year.					
4	Auditors must understand statistics and have expertise in using computers					
5	Auditors who have certificates from courses in accounting and taxation will produce good audit results.					

**Section B**

No	Pernyataan	Pilihan				
		1	2	3	4	5
1	As an Auditor, I must be straightforward and strict in carrying out each assignment.					
2	As an Auditor, I must be honest and serious in carrying out my work.					
3	As an Auditor, I must act objectively in accordance with the evidence obtained					

	during the assignment.				
4	As an Auditor, I must maintain objectivity and be free from undue influence from other parties.				
5	As an Auditor, I use the expertise that I have in every professional service provided.				
6	As an Auditor, I must act professionally in accordance with professional standards and professional code of ethics in providing audit services.				
7	As an Auditor, I must maintain the confidentiality of client information during the audit.				
8	As an Auditor, I will disclose information in connection with a client if it is approved by the client and in accordance with legal provisions.				
9	As an Auditor, I have an obligation to obey the rules and laws that apply in every audit assignment.				
10	As an auditor, I have a compulsion to always uphold the professional attitude as auditor.				

**Section C**

No	Pernyataan	Pilihan				
		1	2	3	4	5
1	The auditor must have the knowledge and experience in auditing a company or entity.					
2	The auditor must have effectively the expertise of the company or entity being audited.					
3	The auditor is willing to accept opinions or suggestions according to client needs.					
4	The auditor is technically competent in applying the examination standards and code of ethics.					
5	The auditor is independent (impartial) with the client.					
6	The auditor always trains himself and acts due audit care (responsible) in conducting the audit.					
7	The auditor has a strong commitment to the quality of audits produced.					
8	The auditor acts appropriately in conducting audits in the field or in accordance with the resulting audit program.					
9	The auditor effectively always deals with internal audits before and during audit activities.					
10	Auditors have high ethical standards and are very knowledgeable about accounting and auditing.					

11	The auditor always maintains a skeptical attitude during the audit.				
12	Audit time limits are considered as a burden on the auditor.				
13	The limited time in the audit, the auditor obtains evidence makes less than the maximum.				
14	The existence of an agreement during the audit makes the audit quality will decrease.				
15	There needs to be a time limit for the auditor to provide in carrying out audit activities.				