

Determination Analysis of Implementation of Good Governance Understanding and Audit Independence on Auditor Performance in Public Accounting Offices

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Abstract. This study aims to examine and analyze the auditor's perception of the determination of the implementation of the understanding of good governance and auditor independence in auditor performance. The data collection method used is descriptive quantitative method which is a research method that utilizes quantitative data and is described descriptively by distributing questionnaires. The respondents of this research are auditors who work at the Public Accounting Firm (KAP) in Bandung, West Java. The sampling method used is purposive sampling with a sampling technique with certain considerations. And hypothesis testing is done with Statistical Product and Service Solutions (SPSS) software. The study prove that the Implementation of Good Governance Understanding with Auditor Performance at KAP in Bandung is quite good, this is because auditors try to carry out their profession by obeying generally accepted accounting principles and guided by SPAP. While the Independence of Auditors in Auditor Performance at KAP in Bandung is also quite good, this is because the auditors try to maintain the independence of a high auditor, then other parties will find it difficult to influence or control the auditor where the auditor will always consider the various facts found in the auditor. conduct audits, and also in formulating and in expressing opinions and thus will have an impact on the level of achievement of the auditors which will be better in other languages, namely to produce better performance.

1. Introduction

Auditor performance is an act or implementation of an audit task that has been completed by the auditor within a certain period of time. The definition of auditor performance is the work achieved by the auditor in carrying out his duties, in accordance with the responsibilities given to him and becomes one of the benchmarks used to determine whether a job will be good or vice versa. Auditor performance is a major concern, for clients or the public in assessing the results of audits conducted [1].

The performance of auditors at Public Accounting Firms is currently under the spotlight of various parties. Unfavorable working conditions affect auditor performance, so that it can affect public trust in public accountants as independent parties in auditing financial statements. The existence of cases involving public accountants or independent auditors is the reason why this profession is very dilemmatic [2]. Accounting scandals that have occurred in companies in Indonesia, namely the case that occurred at PT Kimia Farma Tbk., overstated net income.

Meanwhile, big companies in America, such as Enron, Global Crossing, Worldcom, Microstrategy, Adelphia, PNC Financial Services, Rite Aid, almost all involve large public accounting firms (KAP) such as The Big Five. Middle-class public accounting firms are also not spared from these problems, such as RSM Salustro Reydel in France which made a mistake when conducting an audit of Vivendi Universal. Seeing the cases that befell public accountants today, it is a lesson to be able to dispel doubts from clients and users of financial statements who others by increasing the credibility and performance of the auditor.

Reference [3] state that auditor performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities assigned to him. The auditor is someone who expresses an opinion on the fairness in all material respects, the financial position of the results of operations and cash flows in accordance with generally accepted accounting principles in Indonesia [4]. In this case, the auditor must have an independent attitude in carrying out the audit process and provide an opinion or opinion regarding the fairness of the financial statements being audited.

Independence is an attitude of impartiality to anyone's interests in auditing the financial statements made by the management.[5]. [6] states that being independent for a public accountant means not easily influenced because he carries out his work in the public interest. Therefore, he is not justified in taking sides with anyone, because no matter how perfect his technical skills are, he will lose the impartiality that is really needed to maintain his freedom of opinion [7].

Auditor independence can be viewed from two sides, namely: first, practitioner independence, which is real or factual independence obtained and maintained by the auditor in the entire series of audit activities, starting from the planning stage to reporting. Second, professional independence or independence in appearance, is independence that is reviewed according to the auditor's image from the public or general public view of the auditor on duty [8]. In addition to having an attitude of independence, an auditor must also be able to understand good corporate governance.

Good Governance is a company management principle that aims to encourage company performance and provide economic value for shareholders and society in general [9]. The basic principles of good governance in organizations which have been summarized according to [10] include: (1) Fairness: the auditor in giving an opinion regarding the fairness of the financial statements being audited must be independent and uphold justice for the interests of clients, users of financial statements. (2) Transparent (Transparency): should always strive to be transparent to the audited client's financial statement information. (3) Accountability: describes roles and responsibilities in carrying out inspections and discipline in completing work as well as reporting. (4) Responsibility: ensuring compliance with generally accepted accounting principles and professional standards of auditors while carrying out their profession. (5) Participation, this kind of participation is built on the basis of freedom of association and speaking in a constructive way [11].

The application of an understanding of good governance at KAP is expected to provide clear direction on the behavior of auditor performance, as well as professional ethics in the KAP organization. Implementation of the understanding of good governance is defined how far the understanding of the concept of good corporate governance by the auditors.

The increasing number of KAPs that implement and even improve the concept of Good Governance, it is hoped that the auditors in each KAP can have good, clear and quality professional ethical standards, especially maintaining their independence and professional performance [12].

In 2019, one of the auditors was assigned to carry out audit activities, but the auditor did not carry out the audit process in accordance with company procedures. In the work contract at KAP Moch. Zainudin, Sukmadi and Partners, audit activities are carried out within one month until the audit report is completed. But one of these assigned auditors completed the audit activities to the audit report in just two days. This shows that the auditor did not carry out audit activities in accordance with the procedures or contracts contained in the company [13].

The performance of a qualified KAP is largely determined by the performance of the auditor. Ideally in carrying out his profession, an auditor should pay attention to the basic principles of good governance in the KAP. Auditors must also comply with the rules of professional ethics regarding independence, general standards and accounting principles, responsibilities to clients, responsibilities to professional colleagues, and other responsibilities and practices [14].

In a study conducted by [15] proved that auditor independence affects auditor performance. And based on research conducted by [16] proves that good governance has an effect. Understanding good governance has a positive and significant effect on auditor performance. Meanwhile, based on research conducted by [17] that the understanding of good governance does not directly affect the performance of the auditor if the auditor in carrying out his duties does not enforce his independence. There is a difference between the research that the researcher did with the previous researchers, that is, it has several different variables and the research was conducted in different cities.

The purpose of this research is to analyze the determination of the application of the understanding of good governance and auditor independence in the performance of the auditors, so based on the objectives and background description above, the authors wish to conduct a study with the title "Analysis Of Determination Of The Implementation Of Good Governance Understanding And Audit Independence In Auditor Performance (Case Study at the Public Accounting Firm (KAP) in Bandung)".

2. Method

The research method that will be used by researchers in this study uses descriptive quantitative methods by distributing questionnaires to employees at the Public Accounting Firm (KAP) in Bandung. This type of quantitative descriptive research is a research method that utilizes quantitative data and is described descriptively.

1). Population

The population in this study is the Auditor of the Public Accounting Firm (KAP) in the city of Bandung as many as 22 Public Accounting Firm (KAP) as shown on Table 1.

Table 1. Population List of Bandung City Public Accountants

No	Company name	Status
1.	KAP Moch. Zainuddin, Sukmadi & Rekan	active
2.	KAP Asep Rahmansyah Manshur & Suharyono	active
3.	KAP Moh. Wildan	active
4.	KAP Hartman, S.E., Ak., M.M., Ca., Cpa	active
5.	KAP Djoemarma, Wahyudin & Rekan	active
6.	KAP Roebiandini & Rekan	active
7.	KAP Chris Hermawan	active
8.	KAP Joseph Munthe	active
9.	KAP Koesbandijah, Beddy Robedi Samsi & Setiasih	active
10.	KAP Dr. H.E.R. Suhardjadinata & Rekan	active
11.	KAP AF. Rachman & Soetjipto WS	active
12.	KAP Lydia & Lim	active
13.	KAP Derdjo Sjony Saputro	active
14.	KAP Sabar & Rekan	active
15.	KAP Prof. Dr. TB. Hasanuddin, H., M.Sc. & Rekan	active
16.	KAP Dra. Yati Ruhiyati	active
17.	KAP Drs. Sanusi & Rekan	active
18.	KAP Jahja Gunawan, S.E., Ak., CA., CPA	active
19.	KAP Nano Suyatna	active
20.	KAP Drs. La Midjan & Rekan	active
21.	KAP Moh. Wildan & Adi Darmawan	active
22.	KAP Drs. Sukardi	active

Sampling, according to [18] the sample is part of the number and characteristics possessed by the population. The population in this study is the Auditor KAP in the city of Bandung, researchers determine the number of samples to be studied are 20 auditors.

Determination of the sample in the study using non-probability sampling technique. non-probability sampling is a sampling technique that does not provide equal opportunities/opportunities for each element or member of the population to be selected as a sample. This sampling technique includes, systematic sampling, quota, accidental, purposive sampling, saturation, and snowball.

The technique used in this research is purposive sampling. Purposive sampling is a sampling technique with certain considerations. The research will determine the research on the effect of independence and understanding of good governance on auditor performance, so the sample data source is an auditor.

2). Sample

The sample of this research is the Public Accounting Firm (KAP) in the city of Bandung with the criteria for determining the sample as follows:

1. Public Accounting Firm (KAP) is located in Bandung City area
2. Public Accounting Firm (KAP) is willing to accept the questionnaire
3. Public Accounting Firm (KAP) registered with the Financial Services Authority

With the number of samples to be studied a number of 20 auditors, with the criteria as shown on table 2.

Table 2. Sampling Criteria

No	Name of Public Accounting Firm	Sampling Criteria			Sample
		1	2	3	
1	KAP Moch. Zainuddin, Sukmadi & Rekan	√	√	√	√
2	KAP Asep Rahmansyah Manshur & Suharyono	√	√	√	√
3	KAP Prof. DR. H. Tb. Hasanuddin, M.Sc. & Rekan	√	√	√	√

3). Operationalization and Measurement of Variables

Table 3. Variable Operations

Variable	Konsep Variabel	Variable Concept	Scale
Understanding Good Governance	Good corporate governance or Good Corporate Governance, also known as Good Governance or Corporate Governance, is a system that regulates and controls a company that is expected to provide and increase company value to shareholders. [19]	1. Transparency	Ordinal
		2. Accountability	Ordinal
		3. Accountability	Ordinal
		4. Independence	Ordinal
		5. Fairness [20]	Ordinal
Independence	Auditor independence is an attitude of impartiality to anyone's interests in examining the financial statements prepared by the management.	1. Personal Quality	Ordinal
		2. The freedom that the other party gains	Ordinal
		3. Auditor Personal Relations	Ordinal
		4. Financial Interest	Ordinal
		5. Professional Solidarity	Ordinal

Variable	Konsep Variabel	Variable Concept	Scale
Auditor Performance	Auditor performance is a form of attitude that can be assessed and affects the audit results in the client's financial statements where the auditor can find irregularities and can report them in the audit report or audit opinion. [21]	1. Work quality	Ordinal
		2. Quantity	Ordinal
		3. Punctuality [22]	Ordinal

4). Research design

Based on the explanation in the introduction and the theory used, the research model developed is as follows:

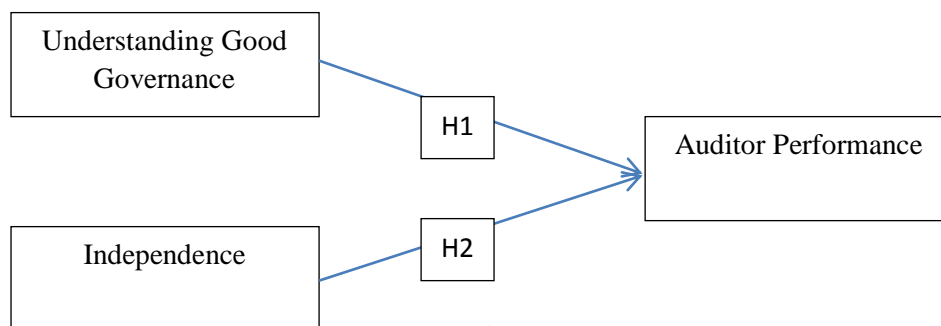


Fig. 1. Research design

5). Hypothesis

H1 : Determination of the Implementation of Good Governance Understanding in Auditor Performance

H2 : Determination of Independence in Auditor Performance

3. Results and Discussion

3.1. Data Analysis

Validity Test and Reliability Test

Validity test is used to measure whether the questionnaire distributed to respondents is valid or not. The guideline used to be said to be valid is to compare the calculated r value with the r table value, if the value of r arithmetic is greater than r table then the statement is declared valid [23], all statement items from each of these variables are declared valid using a total of 20 respondents, because the value of r count the value of r table.

The reliability test is useful for seeing the consistency or stability of the respondents' answers to each question in the questionnaire, all questions in each variable are reliable, because the results of all Cronbach's Alpha values from each variable are > 0.6

Classic assumption test

Normality test that the normality test in this study is normally distributed, in other words it can be said that the data normality assumption is met. From the results of the calculations in the independent variable multicollinearity test, it shows that the tolerance value obtained by the two variables is $0.504 > 0.10$ and the Variance Inflation Factor (VIF) is 1.983 where the value is smaller than 10. So it can be concluded that there is no found a strong correlation between the independent variables, so that the assumption of multicollinearity of data is met. Based on the results of the heteroscedasticity test, it is known that the significance value obtained for each variable is > 0.05 which indicates that the residual variance in the data is homogeneous, so it can be concluded that the heteroscedasticity assumption is met.

Correlation Analysis

The correlation value obtained between understanding good governance and auditor performance is 0.681. This value indicates that the relationship between the two is unidirectional and has a positive sign. Where the better the understanding of good governance, the better the auditor's performance will be. Based on the interpretation of the correlation coefficient, the correlation value of 0.681 is included in the category of a strong relationship because it is in the class interval between 0.600 - 0.799.

The correlation value obtained between auditor independence and auditor performance is 0.625. This value indicates that the relationship between the two is unidirectional and has a positive sign. Where the better the independence of the auditor, will be followed by the better the performance of the auditor. Based on the interpretation of the correlation coefficient, the correlation value of 0.625 is included in the category of a strong relationship because it is in the class interval between 0.600 - 0.799. Multiple Linear Regression shows that the variables of implementing good governance understanding and auditor independence have a linear effect on auditor performance.

Coefficient of Determination Analysis

The value of the coefficient of determination obtained is 46.4%. This shows that the two independent variables consisting of independence and understanding of good governance contribute to the auditor's performance by 46.4%, while the remaining 53.6% are contributions from other variables not examined.

The value of the coefficient of determination obtained is 39.1%. This shows that the two independent variables consisting of independence and understanding of good governance contributed to the auditor's performance by 39.1%, while the remaining 60.9% was contributed by other variables not examined.

Hypothesis test

The independence variable obtained a tcount of $2.110 > t_{table}$ of 2.05183 with a significance value of $0.044 < 0.05$ and it can be concluded that H1 or the first hypothesis is accepted and the independence variable has an effect on the auditor's performance variable.

The variable of implementing the understanding of good governance has a tcount value of $2.070 > t_{table}$ of 2.052 with a significance value of $0.048 < 0.05$ and it can be concluded that H2 or hypothesis 2 is accepted and the variable understanding of good governance affects the auditor's performance variable.

3.2 Discussion

The results show that the understanding of good governance has a significant effect on the auditor's performance by 0.681, it means that the better the understanding of the good governance of the auditor, the better the auditor's performance. It can be said that the understanding of good governance auditors at KAP Bandung is quite good, this is because the auditors try to carry out their profession by complying with generally accepted accounting principles and guided by SPAP.

Auditors who understand the function and good governance in an organization, especially in the Public Accounting Firm can create good working environment conditions, so that in carrying out their duties the auditor's performance will also be better which has an impact on increasing the productivity of the Public Accounting Firm. This is in line with the theory put forward by [24], that an auditor who understands the concept of good governance will influence his behavior in carrying out his duties in conducting audits (auditing) with the orientation of obtaining good results so that it affects the auditor's performance for the better.

The results of the study show that independence has a significant effect on auditor performance by 0.625, this means that the better the auditor's independence, the better the auditor's performance. It can be said that the independence of auditors at KAP Bandung is quite good, this is because the auditors try to maintain their independence, one of which is by applying auditing standards and codes of ethics. With good independence, it can produce financial reports that are more precise, good and correct.

If the independence of an auditor is high, then other parties will find it difficult to influence or control the auditor where the auditor will always consider various facts found in conducting the audit, as well as in formulating and in expressing his opinion and thus will have an impact on the level of the auditor's achievement will be better with other languages, namely producing better performance. This is in line with the theory of [25], namely in his duties as an auditor, independence can affect the performance of the auditor in producing audit reports and also in issuing audit opinions.

4. Conclusion

Understanding the application of good governance has a positive effect on the performance of auditors at KAP Bandung. This means that the better the application of an auditor's understanding of good governance will make the auditor's performance better and vice versa if the auditor's understanding of good governance decreases, the auditor's performance will decrease. Auditor independence has a positive effect on Auditor Performance at KAP Bandung City. This means that the better the independence of an auditor, the better the performance of the auditor and vice versa if the independence of an auditor decreases, the performance of the auditor decreases.

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