



The Effect of Auditor Independence and Complexity on Audit Quality and Its Impact on the Reputation of the Auditor Institution – Survey of the Supreme Audit Agency (BPK) Representative of South Sumatra

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Abstract

Purpose: (i) Analyze and test the effect of auditor independence and complexity on audit quality; (ii) Analyze and test the effect of auditor reputation in mediating independence and audit quality.

Methodology: This study uses descriptive analysis, a type of quantitative research, which, when viewed from the data analysis method used, uses a Likert scale measurement. This study uses primary data sources. The survey method is distributing questionnaires to auditors who work at BPK RI Representatives of South Sumatra.

Findings: Audit independence has a positive and significant effect on audit quality. the increasing independence of auditors will improve audit quality, audit independence has a positive and significant effect on the reputation of the institution. This is with increasing auditor independence will improve the reputation of the institution, the complexity of the audit has a positive and significant effect on audit quality means that every increase in audit complexity will improve audit quality, audit complexity has a positive and significant impact on the reputation of the institution. This condition means that every increase in audit complexity will increase the reputation of the institution. , Audit quality has a positive and significant effect on the reputation of the institution. The condition means that every increase in audit quality will improve the reputation of the institution

Originality/Value: This study is to improve the quality of the financial auditing agency in the South Sumatra region in terms of contributions regarding the independence and complexity of auditors on audit quality and their impact on the reputation of the auditor institution where it is necessary to increase audit complexity in connection with improving audit quality in addition to audit complexity. in accordance with the hypothesis, therefore the formulation of further research for. The recommendations are expected to be why audit complexity is proven to provide an increase in audit quality and not the other way around. As for the variables of independence and audit quality, it is proven to have a positive effect on the reputation of the institution, thus recommendations to the agency to improve the reputation of the institution in terms of independence and audit quality.

Introduction

Government administration is required to be responsible based on the enactment of laws and regulations in a country based on the principles of compliance and justice so that governance becomes orderly, economical, effective, and efficient. An examination is a process of assessing the truth of financial information by identifying problems, making analyses and evaluations objectively, professionally, and independently so that the financial information has truth, credibility, accuracy, reliable management of information, and financial accountability (UU RI No. 15 of 2004).

The Supreme Audit Agency (BPK) is an agency that has the authority to examine the financial statements of a country, both central and regional governments (UU RI No. 15 of 2004). According to Law No. 15 of 2004, Law No. 6 of 2009, Law No. 24 of 2004, and Law No. 21 of 2011, every year, BPK examines the Financial Statements (LK) of entities consisting of LK central government entities, LK institutions/state institutions, and local government LK. In Indonesia, the Supreme Audit Agency (BPK) is defined as an institution that carries out independent audit activities on financial reports carried out by regional governments. In assessing the financial performance of local governments, BPK has an important role in carrying out its duties. Comparison of liability reports is carried out for such audit processes. Local Government Financial Reports (LKPD) with Regional Revenue and Expenditure Budgets (APBD) based on Government Accounting Standards (SAP). The State Audit Standards (SPKN) are issued by BPK to maintain the quality of BPK auditors by the Regulation of the Supreme Audit Agency of the Republic of Indonesia No. 1 of 2007. Important standards that become a reference in carrying out inspections (Landarica & Arizqi, 2020).

Based on article 4 paragraph (2) explains that the BPK code of ethics must have values based on integrity, independence, and professionalism as important guidelines in state financial audits (SPKN, 2007). The performance of the auditor can be seen from the basis of the code of ethics that the auditor has worked following the standards. Cases of deviation will not occur if the application of standards and codes

of ethics is carried out correctly and consistently pays attention to the basic values of the code of ethics. Thus, auditors are required to act professionally and always comply with applicable standards in the examination of the financial statements of government and state-owned enterprises.

In practice, the credibility of the auditor is often questioned because in practice there are still many various frauds and irregularities that are influenced by various causes such as corruption and misappropriation of state finances even though audit standards have been made and applied in conducting audits. Phenomena and problems related to several findings, namely (1) the alleged finding of receipt of bribes involving the BPK Auditor and officials from the Ministry of Villages and Development in underdeveloped areas, the BPK Auditor allegedly accepting bribes from the ministry officials so that the unqualified opinion (WDP) rose to Unqualified (WDP) WTP).

At least seven people were detained by investigators from the Corruption Eradication Commission (KPK) due to their connection to the alleged bribery case against the Supreme Audit Agency (BPK) to give the Ministry of Villages PDTT an unqualified title (WTP). (2) There is a bribery case by the former main auditor Rochmadi Saptogiri who was sentenced to 7 years in prison and paid a fine of 300 million Rupiah together with the head of the main sub-auditor for State Finance III BPK. The bribery case was obtained from the Kemendes PDTT in the form of cash gratuities amounting to 3.5 billion rupiahs and money laundering from PT Jaya Real Property by buying land covering an area of 328 square meters in the South Tangerang area. (3) There were findings in the construction of the Drinking Water Supply System (SPAM) project, in the 2017-2018 fiscal year, that the Commissioner of PT Minarta Dutahutama was suspected of bribing the Auditor Member IV of the RI BPK at the Ministry of PUP many problems are 8 billion were later changed to Rp. 4.2 billion. In the further development of the case, it was found that the alleged flow of Singapore dollar funds by the private sector to members of the BPK RI amounted to 100,000 Singapore dollars. (3) There was an allegation to the BPK that the KPK found worth Rp. 1 billion related to the flow of the Covid-19 social assistance fee to the BPK. Juliari

Batubara, a former staff of the Minister of Social Affairs, testified that there was Rp 1 billion in money from the Covid-19 social assistance corruption which was handed over to the BPK. Matheus also said the funds were channeled to various parties, including officials from the Supreme Audit Agency (BPK). (4) There is an allegation of collusion with the results of the BPK audit in the 2019 South Sumatra Provincial Government Budget which was submitted by Deputy Maki. The initial finding of state losses in the investigation of the Belitung Jaya - Nusa Bakti road project was estimated to be Rp. 19 billion, but during the inspection of the project, the loss was calculated to be only Rp. 1.9 billion.

The initial findings of the BPK audit on the inspection of the Dabok Rejo-Batas OKI road project are thought to have reached Rp 15 billion. However, the calculation of the results of the audit of state losses is estimated to be only Rp. 1.8 billion. The current physical condition of the project is estimated to be almost 50% damaged. (5) Chairman of the National Financial Accountability Agency (BAKN) DPR RI Wahyu Sanjaya criticized the South Sumatra Province Representative BPK's exposure to the implementation of the Special Allocation Fund (DAK) both physical and non-physical in 2017-2020. Sees that the DAK budgeting process for the South Sumatra provincial level it's not transparent yet. This research is the development of previous research by (Landarica & rizqi, 2020) who researched the Effect of Independence, Moral Reasoning, and Auditor Professional Skepticism on Audit Quality (Study at BPK-RI Representatives of West Java). According to (Landarica & Arizqi, 2020) the results of the study show that the higher the independence, moral reasoning, and professional skepticism of auditors, the higher the audit quality produced. In this study, the researcher made an update by adding an intervening variable as a variable that strengthened the independent and dependent variables. The audit process must provide information that is easily understood by the public or users of audited financial statements. Ease of access to information and published documents related to public sector audits must also be ensured. Then the relevance of the audit results must be following the needs of the audit plan that has been made. Must have relevant qualities in order to be able to influence public decisions through information on the

assessment of past events, and present and affect forecasts in the future. In addition, information must be useful and reliable so that it can be trusted and accounted for.

Empirically, the quality of BPK audits still needs to be improved and there are problems related to the independence and complexity of BPK's audit tasks. Similar studies generally examine the setting of Public Accounting Firms (KAP) or certain industries so they cannot fully support this research (Sari Gultom, 2018); (Alam & Suryanawa, 2017), (Saputra, 2016); (Dharmadiaksa & Utama, 2017). Meanwhile, research that takes the setting of BPK is related to Audit Quality; (Sugiarmuni & Datrini, 2017); (Aryani et al., 2015), have not fully answered the same phenomenon so it motivates the authors to be interested in conducting this research to prove the extent to which the perception of independence and the complexity of the auditor's task can affect the quality of audit results and their impact on the auditor's reputation, by conducting research at the BPK Representative for South Sumatra.

Overall problems and phenomena can be concluded that many problems are indicators of the low quality of the audit of the Indonesian Supreme Audit Agency (BPK) which are the main points of the audit quality of the agency, this problem will be studied more deeply related to the variables that determine audit quality including the complexity of independence and audit quality. Based on previous research, research has different studies, on if it is associated with the problem of low audit quality so that the indicator takes one of the intervening variables, namely audit reputation which can affect the audio quality of this agency as a whole. This research has a novelty from the previous study, namely analyzing the quality of auditors based on the role of state agencies, namely the State Audit Board (BPK) as a public auditor who has the authority to examine the management and responsibility of state finances, this is also a reference in model construction by taking the Institutional Reputation variable. as a variable that mediates audit quality.

Based on the phenomena and gaps of previous research, this study will examine and analyze the Effect of Auditor Independence and Competence on Audit Quality and Auditor Reputation as an empirical study intervening variable at the Republic of Indonesia Supreme Audit Agency Representative in South Sumatra.”

Literature Review

DeFond & Zhang, (2014) Findings show that company audits carried out with quality auditors will have an impact on increasing auditors, overall this condition is also influenced by company regulatory intervention which will have an impact on auditor independence and Liu, (2017) The findings show that with high-quality education and advanced knowledge will make other auditors more careful with audit work with large involvement. Mao et al., (2020) Findings show that the main auditors who often rely on auditors when operating in various PCAOB countries say the quality of group audits is good in disclosing as well as their participation in the group and their responsibilities are known for the PCAOB sector. Form 2 does not accept the disclosure responsibility. audit report and Gu et al., (2021) Findings show that IS audit hours and are personnel have a statistically significant negative correlation with the amount of discretionary accruals and a positive correlation with C Score even when the group is divided into big 4 and non big 4.

Singh et al., (2019) Findings show NAS fees have a positive relationship with both absolute and positive values of discretionary accruals with big 4 and according to Hou et al., (2020) Findings show signatory auditors who have foreign experience in influencing audit fees show significant and positive. Asante-Appiah, (2020) Findings show that company reputation through ESG practices affects business processes and controls as well as risks in company continuity and according to

Xiao et al., (2020) Findings show audit effort significantly increases the likelihood of audit adjustments.

Suwarno Endro et al., (2018) Findings show that audit fees, audit period, audit rotation and auditor reputation have no effect on audit quality and according to Butar-Butar & Lily Indarto, (2018) The findings show the role of specialist auditors in improving financial quality. significant impact on industry complexity.

Sun et al., (2020) Findings show related group affiliation in audit quality has an influence in regulators regarding fraudulent financial reporting and according to Putri et al., (2021) Findings show that audit tenure auditor experience and

independence have a positive relationship significant effect on audit assessment and complexity.

Qodri et al., (2019) The findings show that apart from the ability of the auditor to investigate themselves, the complexity of the auditor's task and the role of the whistleblower play an important role in the effectiveness of audit procedures in investigations and according to Rapley et al., (2021) the findings show a significant effect relationship of tenure disclosure on investment intentions are in line with audit quality in CAM disclosures to identify relative arrangements.

Blaufus et al., (2021) The findings show that, compared to the cooperative auditor negotiation strategy, the competitive auditor negotiation strategy is associated with significantly higher valued additional taxes and according to Hung & Cheng, (2018) The findings indicate that information asymmetry, i.e. Increased complexity of corporate information reduces information transparency, and thereby increases information asymmetry between managers and auditors, resulting in higher audit risk.

Booker, (2018) Findings show that users of financial statements use client interests as a measure of audit quality when revenue streams are not the same across clients, and according to Le et al., (2021) Findings show that firms audited by Big Four Auditors are associated with the cost of equity lower than firms with non-Big Four auditors. The results show that the role of auditor information is more relevant than the role of insurance in the context of civil law with a relatively low risk of auditor litigation. Sarhan et al., (2019) Findings show that board independence is positively associated with involving the big 4, while family share ownership shows a negative relationship with hiring Big 4 auditors and for board size, board independence, and director share ownership are positively associated with audit fees and according to Yang et al., (2018) The findings show that the audit quality of signed auditors shows a significant gender difference: this significant gender difference is different from whereas female auditors can provide higher audit qualifications than male auditors.

Framework

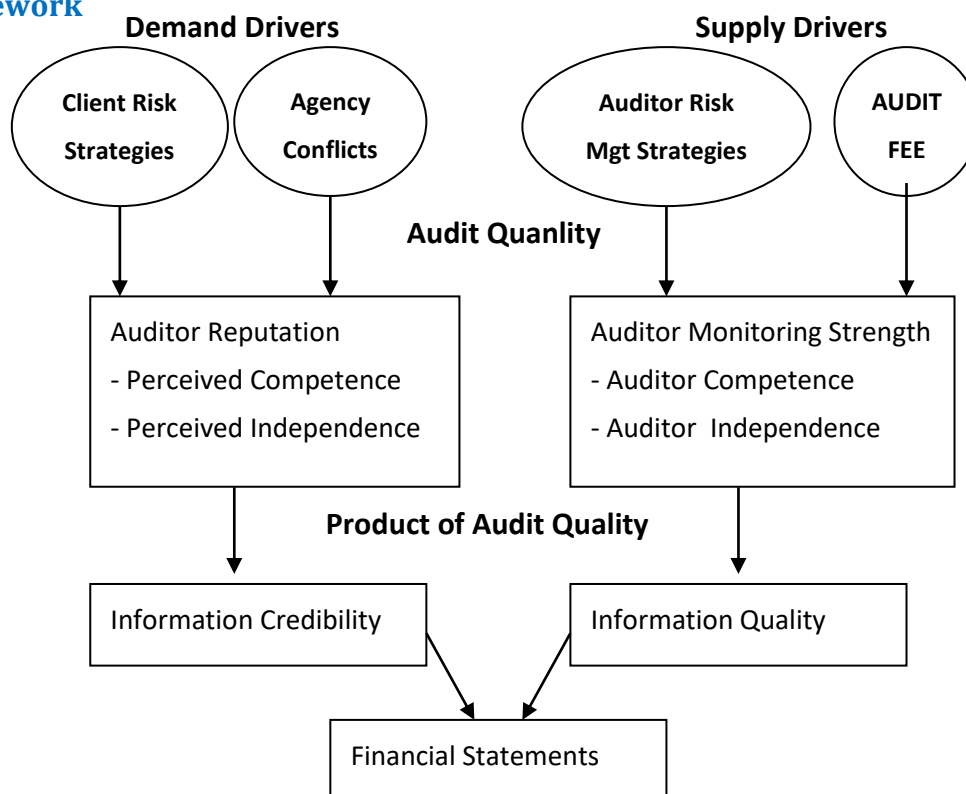


Figure 1: Thinking Framework

Results of another study by Hou et al., (2020) prove that perceived independence affects the reputation of the audit profession, which is related to whether auditors perform non-audit services for the same auditee. Based on research by DeFond & Zhang, (2014), Qodri et al., (2019), Rapley et al., (2021), Blaufus et al., (2021), Blaufus et al., (2021), Xiao et al. , (2020), the researcher proposes a hypothesis that Auditor Independence has a positive influence on the reputation of the institution through audit quality, because the more independent the auditor, the higher the reputation of the institution, which is marked by the better audit quality.

The Research Tool

This study uses descriptive analysis, a type of quantitative research, which, when viewed from the data analysis method used, uses a Likert scale measurement. This study uses primary data sources. Survey method, which is distributing questionnaires to auditors who work at BPK RI Representatives of South Sumatra. Sources of data used in this study are primary data and secondary data. The primary

data in this study were interviews, questionnaires and the characteristics of the respondents. While secondary data includes information data based on online publications, information related to research variables in related articles and books.

The Sample Population

The population in this study are auditors who work at BPK RI Representatives of South Sumatra, the method of sampling is the *probability sampling*, the sampling technique used is *stratification random sampling*, which is taking a proportionate sample by taking subjects from each strata or each region is determined in balance with the number of subjects in each strata or region (Ghozali, 2016). Determination of the number of samples is determined using the Slovin formula with the number of samples as much as 103 which can be seen in table 1 as follows:

Table 2 Total Human Resources in South Sumatra Representative BPK

No	Position	Nurmer (Persons)	Proportion (%)	Nurmer of Samples (Persons)
1.	Head of Sub-auditor	2	1.4	1
2.	Chief representative	1	0.7	1
3.	Head of Representative Secretariat	1	0.7	1
4.	Head of subsection	5	3.6	4
5.	Secretariat Staff	49	35.5	37
6.	Pemeriksa	80	58.0	60
Total		138	100	103

Source: The Financial Examiner Agency, South Sumatra Region (2022) (processed)

Analytical techniques in this research are qualitative analysis and quantitative analysis. Quantitative analysis is carried out using statistical testing from the results of the questionnaire, then the test results will be explained using sentences, in other words, quantitative data is used first and then followed by qualitative data. Quantitative data is used to view the questionnaire using tabulations and assisted by Statistical Product And Service Solutions (SPSS) in the form of an assessment of the results of filling out the questionnaire.

The statistical method used to test the hypothesis in this study is Partial Least Square (PLS). The PLS method is used in research for several reasons (1) this statistical method is appropriate to test the predictive effect of the relationship between latent

variables in a model (2) PLS can be run on a small number of samples, does not require data to be normally distributed, and can test the research model with a weak theoretical basis (Ghozali, 2016). (3) PLS can combine regression methods and factor analysis in one statistical technique (Ghozali, 2016). (5) Path analysis can be directly carried out in one test because PLS is able to analyze graphs at once and researchers can analyze in detail the indicators of the strongest and weakest latent variables.

Data Analysis

Qualitative data was collected through both the open-ended questions asked during the interviews and through the interviewees' remarks in justifying their ratings to the Likert scale questions. Such qualitative data was analysed by summarising the transcripts of the responses for each question in the interview schedule. This allowed for easier evaluation and for the key similarities and differences in responses to be noted. Quantitative data gathered through the responses to the closed-ended questions in the interview schedule was analysed through SmartPLS and IBM SPSS Statistics.

Research Limitations

One of the main limitations in this study is the problem that is an indicator of the low quality of the audit of the Indonesian Supreme Audit Agency (BPK) which is the main point of the audit quality of the agency, this problem will be studied more deeply related to the variables that determine audit quality including the complexity of independence and quality audits.

Findings and Discussion

Path Diagram Construction

research model was first described using the SmartPLS 3.3.3 application with the path diagram construction. In SmartPLS 3.3.3 the latent variable is depicted in the form of a blue circle, and the indicator is depicted in the form of a yellow box. Figure 2 shows the path diagram in the SmartPLS 3.3.3 application. According to Hair et al., (2014) there are two analyzes carried out in the use of the PLS method, namely the *model* (measurement model) and *inner model* (structural model)

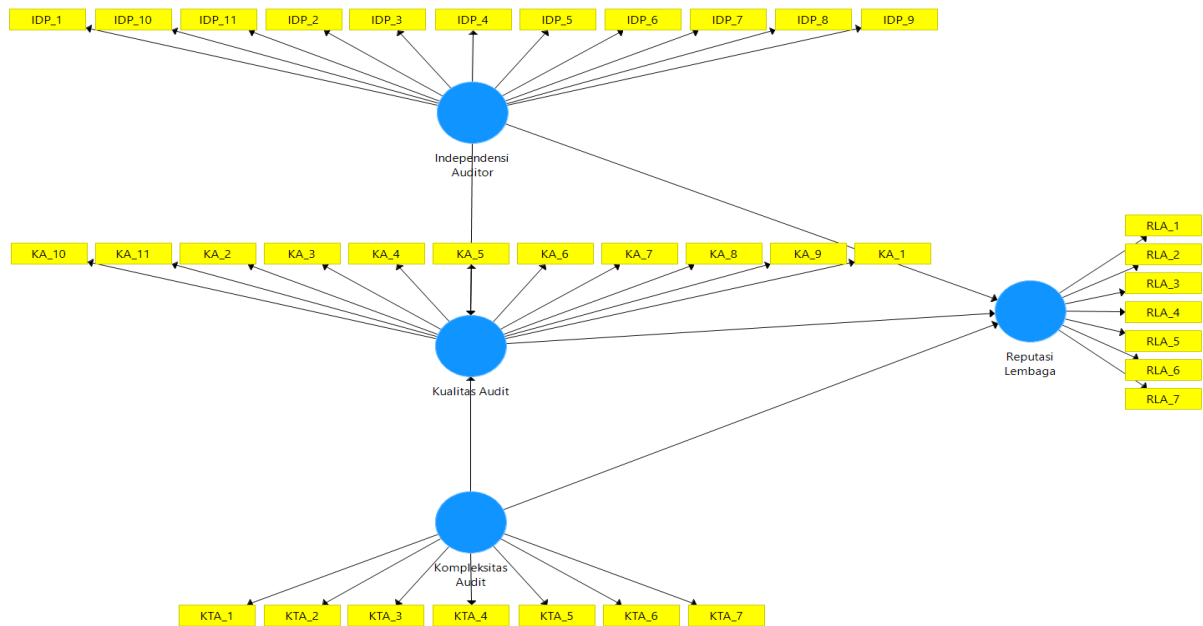


Figure 2: Path Diagram Construction

Source: The data is processed by the author using SmartPLS (2022) (processed)

Test Outer Model (Measurement Model)

Testing the measurement model consists of measuring *convergent validity*, *discriminant validity*, *composite reliability*, and *Cronbach's Alpha*. Testing the *convergent validity* by looking at the *outer loadings*. Next, *discriminant validity* assessed based on *Average Variance Extracted (AVE)* of each construct with correlations between other constructs in the model. The reliability test is seen based on the *composite reliability*. In addition, *Cronbach Alpha* is carried out to ensure that the measurement statement provides adequate coverage of the research statement to be measured.

Convergent Validity

The convergent validity test was then carried out by looking at the AVE value of each construct. Convergent validity is used to evaluate whether a measurement has a positive correlation with alternative measurements of the same construct (Hair et al, 2014). To evaluate convergent validity, the value that must be evaluated is the AVE value, if the AVE is above 0.5, it means that half the variance in the indicator has been defined by the construct being measured or meets convergent validity.

Table 2 Score Average Variance Based (AVE)

	Average Variance Extracted (AVE)
Auditor Independence	0.533
Audit Complexity	0.659
Audit Quality	0.665
Institutional Reputation	0.471

Source: Processed Data (2022) (processed)

Based on the AVE calculation in table 2 in general, it shows the value of the latent variable AVE value > 0.5 so that it meets convergent validity, and only the institution's reputation variable that shows an AVE < 0.5, this does not make this research variable less good because in testing the validity of construct validity it can still be seen with other approaches, for testing discriminant validity it is also necessary conducted in addition to the AVE to see that the association between indicators or dimensions in the construct is higher than the other constructs.

Discriminant Validity

Test *Discriminant validity* can be seen from the square root value of AVE. According to Hair et al., (2014) evaluation of discriminant validity is used to measure the extent to which a construct is different from other constructs in empirical standards. Fornell-Larcker (1981) compared the square root of the AVE value with the correlation of the latent variables in this study. The results of the Fornell-lacker criterion test can be seen in the following.

Table 3 Fornell-Larcker Criterion

	Auditor Independence	Audit Complexity	Audit Quality	Institutional Reputation
Auditor Independence	0.730			
Audit Complexity	0.938	0.812		
Audit Quality	0.852	0.946	0.815	
Institutional Reputation	0.821	0.884	0.966	0.687

Source: Processed Data (2022) (processed)

Based on the test results, it is known that the AVE root value is higher than the correlation between constructs, so that it can be concluded that the construct has discriminant validity.

Composite Reliability

In addition to the validity test, a construct reliability test was also conducted which was measured using two criteria, namely composite reliability and Cronbach's Alpha. A latent variable must have a Cronbach's Alpha value above 0.7 or composite reliability greater than 0.7 to meet reliability. According to Chin (1998) composite reliability is a closer approximation that is more accurate, so the reliability evaluation is carried out based on Cronbach's Alpha and composite reliability values. Based on table 4.10, it is known that all constructs have Cronbach's Alpha and Composite Reliability values above 0.7, which means that all constructs are reliable.

Table 4 Fornell-Larcker Criterion

	Cronbach's Alpha	Composite Reliability
Auditor Independence	0.895	0.918
Audit Complexity	0.912	0.930
Audit Quality	0.942	0.954
Institutional Reputation	0.790	0.827

Source: Processed Data (2022) (processed)

Then, the convergent validity test was carried out by looking at the AVE value of each construct. Convergent validity is used to evaluate whether a measurement has a positive correlation with alternative measurements of the same construct (Hair et al, 2014). To evaluate convergent validity, the value that must be evaluated is the AVE value, if the AVE is above 0.5, it means that half the variance in the indicator has been defined by the construct being measured or meets convergent validity. Based on Table 4. shows that the AVE value of all independent variables including Auditor Independence, Audit Complexity, Audit Quality, Institutional Reputation has an AVE value greater than 0.05.

In the next stage, discriminant validity testing also needs to be carried out in addition to the AVE to see that the attachment between indicators or dimensions in the construct is higher than other constructs. The discriminant validity test can be seen from the square root value of AVE. According to Hair et al., (2014) evaluation of discriminant validity is used to measure the extent to which a construct is different from other constructs in empirical standards. Fornell-Larcker (1981) compared the

square root of the AVE value with the correlation of latent variables in this study. It was found that the AVE root value was higher than the correlation between the constructs of audit quality ($0.942 < 0.954$) and Institutional Reputation ($0.790 < 0.827$), so it can be concluded that the construct has good discriminant validity.

Inner Model (Model Structural)

After testing the *measurement model*, the next step is to analyze the *structural model* or *inner model*. The measurement parameters used to measure the structural model are p-value, t-value, and the value of the coefficient of determination (R^2).

Model Feasibility Analysis (Goodness of Fit)

The test of the model's feasibility analysis or goodness of fit is used to determine whether the model is worthy of research or not by looking at the results of the research conducted in the following table:

Table 5 Result Test R

	R Square	R Square Adjusted
Audit Quality	0.906	0.904
Institutional Reputation	0.954	0.952

Source: Processed Data (2022) (processed)

Based on Table 5 Audit quality is influenced by the independence and reputation of the institution by 95.40 percent in addition to other variables showing a small R Square value which results in display results which does not appear in the R^2 test but this is not a reference because this variable is another connecting variable, then another model is tested using the *Cross Validated Redundancy (Q²)*, *Effect Size (F²)* and *Fit Index (NFI)*.

Cross Validated Redindancy (Q²)

Based on table 6 the Q^2 test was used as a means to assess the model's predictive relevance. Values greater than zero for a particular endogenous construct indicate the predictive relevance of the path model for this particular construct (Hair et al., 2014). Test Q^2 are above 0 so that a decision can be made that the structural model has a prediction of relevance. In the PLS-SEM method, the Q^2 evaluation is carried out using the *blind folding* through the Smart PLS application.

Table 6 Test Results Q²

	SSO	SSE	Q ² (=1-SSE/SSO)
Auditor Independence	1056.000	589.668	0.442
Audit Complexity	672.000	306.297	0.544
Audit Quality	1056.000	422.569	0.600
Institutional Reputation	672.000	424.262	0.369

Source: Processed Data (2022) (processed)

Effect Size Test (F2)

Effect Size (F2), if The F2 value ofin 0.02 is categorized as small, 0.15 is categorized as medium and 0.35 is categorized as large. The F2 value: this study can be seen in table 7.

Table 7 Result Test F²

No		F-Square	Description
1	Auditor Independence=>Audit Quality	0.113	Small
2	Audit Complexity=> Audit Quality	1.913	Big
3	Auditor Independence=>Reputation of Institution	0.249	Medium
4	Audit Complexity=>Institutional Reputation	0.433	Medium
5	Audit Quality=>Institutional Reputation	3.690	Big

Source: Processed Data (2022) (processed)

Shows that the Auditor Independence variable on Audit Quality has an F value of⁷ 0.113 so it is concluded that it has a small effect, while for Auditor Independence on the Institution's Reputation it has a value of 0.249 which means it has a medium effect. The same thing is also known by the Audit Complexity of the Institution's Reputation of 0.433, so it can be concluded that the latent variable has a medium effect because the value above > 0.15 or 0.433, the display of different results is shown by the Audit Complexity variable on Audit Quality of 1.913 which has a large effect and Audit Quality on the Institution's Reputation. by 3.6 90.

Based on the F2 test. Audit Quality shows that the variable is able to mediate other variables because on average all variables are only the variable of the effect of auditor independence on audit quality showing a small effect or < 0.02. Thus it can be assumed that each model variance has an influence on auditor reputation, in addition to using the F square results in testing the feasibility of the model, it also uses the Fit model analysis which can be seen in table 8.

Table 8 Result Analysis Model Fit

	Saturated Model	Estimated Model
SRMR	0.101	0.101
d_ULS	6.805	6.805
d_G	n/a	n/a
Chi-Square	infinite	infinite
NFI	n/a	n/a

Source: Processed Data (2022) (processed)

Result of model fit analysis shows NFI (n/a) cannot be calculated This can happen because the respondent's answers are almost the same which makes the data pile up, but this does not make a problem that must be addressed because when viewed on the *Standardized Root Mean Square Residual* (SRMR) = 0.1 < level 10 percent or 0.1 percent model will be considered suitable or can be judged to have a correlation match, based on this, according to (Hu & Bentler, 1999) that the assessment of the compatibility between the observed correlations/relationships can be said to be a feasible or good model.

Hypothesis

In addition to looking at the coefficient of determination, the next step is to test the hypothesis by looking at the value of the t-value on each *path coefficient*. there is a significance level of 0.05 a hypothesis will be accepted if it has a t-value greater than 1.65 (Latan & Ball, 2012). Summarizes the results of the evaluation of the structural model based on the *t-value* and indirect. Meanwhile, based on direct testing, it can be seen that all dimensional variables are directly significant to the latent variables in table 9.

Table 9 Result Test F²

	T Statistics	P Values	Description	Kesimpulan
Auditor Independence -> Audit Quality	3.083	0.002	Significant	Hypothesis Accepted
Audit Complexity -> Audit Quality	13.374	0.000	Significant	Hypothesis Accepted
Audit Quality -> Institutional Reputation	17.343	0.000	Significant	Hypothesis Accepted
Auditor Independence -> Institutional Reputation	3.686	0.000	Significant	Hypothesis Accepted
Audit Complexity -> Institutional Reputation	4.836	0.000	Significant	Hypothesis Accepted

Source: Processed Data (2022) (processed)

- H₁ : Auditor Independence has a positive effect on Audit Quality.
 H₂ : The complexity of the audit task has a positive effect on audit quality.
 H₃ : Audit quality has a positive effect on the reputation of the institution.
 H₄ : Auditor independence has a positive effect on the reputation of the institution.
 H₅ : Audit quality has a positive effect on the reputation of the institution

Table 10 Result Test F²

	T Statistics	P Values	Description	Kesimpulan
Audit Complexity -> Audit Quality -> Institution Reputation	10.213	0.000	Significant	Hypothesis Accepted
Independensi Auditor -> Kualitas Audit -> Reputasi Lembaga	3.000	0.003	Significant	Hypothesis Accepted

Source: Processed Data (2022) (processed)

- H₆ : Auditor Independence has a positive effect on Audit Quality
 H₇ : The complexity of the audit task has a positive effect on audit quality.

Sobel Test

Table 11 Direct Effects on Institutional Reputation

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant) ^a	8.165	1.465		5.575	.000
Auditor Independence	.350	.098	.199	1.126	.263
Audit Task Complexity	.471	.212	.260	.989	.325
Audit Quality	.481	.086	.908	5.604	.000

Source: Processed Data (2022) (processed)

It is known that the effect of direct analysis is that from the table above the significance value of the variable can be known as follows.

1. Auditor Independence Variable has a variable significance value of 0.263 (> 0.05), so it can be concluded that this variable has no direct significance to the reputation of the institution.
2. The Auditor's Task Complexity variable has a significance value of 0.325 (>0.05), so it can be concluded that this variable has no direct significance to the reputation of the institution.
3. The audit quality variable has a variable significance value of 0.000 (> 0.05), so it can be concluded that this variable has a direct significance to the reputation of the institution.

Broadly speaking, the variables show results that are very contrary to the previous test. This is because this test uses the output variable value. the total of each variable while the previous test changed the dependent variable which resulted in testing a large gap between the significance values, but for the value of the audit quality variable it showed a positive consistency of influence on the reputation of the institution after testing the effect of each variable on reputation to determine the audit quality variable. can mediate all variables on auditor reputation can be seen in the table below.

Table 12 Direct Effects on Audit Quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant) ^b	1.250	1.773		.705	.483
Auditor Independence	.290	.098	.308	3.292	.001
Audit Task Complexity	1.531	.157	1.002	9.719	.000
Institutional Reputation	.530	.094	.280	5.604	.000

Source: *Processed Data (2022) (processed)*

Note: (b) Dependent Variable, namely Audit Quality

From the table of regression results, it shows that the probability value of the variable shows a positive and significant direction for all variables on the audit quality variable, so based on the previous test which is the basis for calculating the Sobel test value, it can be seen that in the Sobel test there is a basis for taking in this case the hypothesis used. which can be known as follows.

Basic for Decision Making

1. If the value of $z < 1.96$ then it is declared unable to mediate the relationship of the influence of the independent variable on the dependent variable
2. If the value of $z > 1.96$ then it is declared capable of mediating the relationship of the influence of the independent variable on the dependent variable

Table 13 Sobel Test Reference Calculation

Variabel ^a	Variabel ^b	Nilai Coefficients ^a		Nilai Coefficients ^b	
		Unstandarsized	Std Error	Unstandarsized	Std Error
Auditor Independence on Institutional Reputation	Auditor Independence on Audit Quality	.350	.098	.290	.098
The Complexity of Audit Tasks on the Reputation of the Institution	The Complexity of Audit Tasks on Audit Quality	.471	.212	1.531	.157
Audit Quality on Institutional Reputation	Institution's Reputation on Audit Quality	.481	.086	.530	.094

Source: Processed Data (2022) (processed)

Table 14 Sobel Test Calculator Results

No	Z-Statistic	P-Value	Kesimpulan
1	2.27863523	0.02268876	Hypothesis Accepted
2	2.16618999	0.03029667	Hypothesis Accepted
3	3.97077488	0.00007164	Hypothesis Accepted

Source: Processed Data (2022) (processed)

Note: (1-3) Unstandardizeda, Std Errora and Unstandarsizedb, Std Error using quantpsy.org

Based on the results of the Sobel test calculation, it is known that the entire Z stat value is in the range of 2-3, because the z value obtained is more than 1.96 with a significant level of 5%, it can be said that the evidence according to the Sobel test can be interpreted that audit quality is able to mediate the relationship between auditor independence and the complexity of the audit task on the reputation of the institution.

Cross Tabulation

Analysis Cross tabulation analysis discusses the relationship descriptively with independent variables including auditor independence, task complexity, audit quality and institution reputation.

Table 15 Relationship of Auditor Independence and Institutional Reputation

Auditor Independence		Institutional Reputation		Total
		Low	High	
Low	Count	20	26	46
	% of Total	19.4%	25.2%	44.6 %
High	Count	12	45	57
	% of Total	11.6%	43.7%	55.3%
Total	Count	32	71	103
	% of Total	31.1 %	69.9%	100 %

Source: Processed Data (2022) (processed)

Based on Table 15 shows that of the 71 respondents who answered questions from the questionnaire distributed regarding the reputation of the institution, as many as 32 people responded to the questionnaire questions in the category of low auditor independence, as many as 20 people (19.4 percent). The opposite condition shows that as many as 45 people (43.7 percent) answered the questionnaire in the category of high institutional reputation with 12 respondents answering the auditor's independence in the low category. The next analysis explains the relationship between task complexity and the reputation of the institution which is described in Table 16. The last discussion is related to the relationship between audit quality and the reputation of the institution which is described in Table 17.

Table 16 Relationship between Task Complexity and Institutional Reputation

Kompleksitas Tugas		Reputasi Lembaga		Total
		Rendah	Tinggi	
Rendah	Count	18	28	46
	% of Total	19.4%	25.2%	44.6 %
Tinggi	Count	21	36	57
	% of Total	20.4%	34.9%	55.3%
Total	Count	39	64	103
	% of Total	37.9%	62.1%	100 %

Source: Processed Data (2022) (processed)

Based on Table 16 shows that of the 39 respondents who answered questions from the questionnaire distributed regarding the complexity of the task, 21 people responded to the questionnaire with high task complexity and 36 people (34.9 percent) responded to the high reputation of the institution. Meanwhile, 28 people (25.2 percent) answered the questionnaire in the category of high institution reputation with 12 respondents answering low task complexity. The last discussion is related to the relationship between audit quality and the reputation of the institution which is described in Table 17.

Table 17 Relationship between Task Complexity and Institutional Reputation

Kualitas Audit		Reputasi Lembaga		Total
		Rendah	Tinggi	
Rendah	Count	15	31	46
	% of Total	14.6%	30,0%	44.6 %
Tinggi	Count	24	33	57
	% of Total	23.3%	32.0%	55.3%
Total	Count	39	64	103
	% of Total	37.9%	62.1%	100 %

Source: Processed Data (2022) (processed)

Based on Table 17 shows that of the 39 respondents who answered questions from the questionnaire distributed related to audit quality, 24 people (23.3 percent) responded to the questionnaire with high audit quality and 33 people (32 percent) responded to the reputation of the institution. tall one. Meanwhile, 33 people (32.0 percent) answered the questionnaire in the category of high institutional reputation with 15 respondents answering low auditor independence.

Direct Effect Analysis

The Effect of Auditor Independence on Audit Quality

Based on the estimation results indicate that auditor independence has a significant effect based on the T statistic value which is greater than t-table. Thus, every increase in auditor independence will improve audit quality. This result is in line with some of Liu's research, (2017) which explains that independence has a good impact on audit quality because audits can only be effective and quality if the auditor shows an independent attitude and is trusted to report any breach of contract between the principal and the agent. Furthermore, Mao et al., (2020) prove that the perception of the Director of Finance in auditee companies on auditor independence (perceived independence) has a positive impact on audit quality, as long as the auditor does not perform non-audit services for the same client and does not have a close personal relationship. between the client and the auditor. This is explained in general, the relationship between auditor independence and audit quality explained that 71 respondents answered questions from the questionnaire distributed regarding the reputation of the institution as many as 32 people responded to the questionnaire questions with the category of low auditor independence, namely as many as 20 people (19.4 percent). On the other hand, 45 people (43.7 percent) answered the questionnaire in the category of high institution reputation. In general, this explains the relationship, the cross tabulation analysis explains the close relationship related to the respondents' responses, which in the majority show the reputation of institutions with high categories having high audit quality overall.

Theoretically, it is explained that auditor independence is often referred to as the cornerstone or foundation of the auditing profession and is a critical and unique

precondition for providing attestation services because independence is the foundation for public trust in the attestation of auditors Singh et al., (2019). Auditor independence helps ensure audit quality and contributes positively to convincing users of financial statements regarding the financial reporting process so as to create an efficient capital market. deviations or will not even report any of these 51 violations or irregularities in their audit reports. Putri et al., (2021) in their research conclude that auditor independence in audits has a significant positive effect on audit quality and audit credibility. The results of this study are in line with the results of research by Le et al., (2021) on managers of 73 KAPs registered in the Capital Markets Accountant Forum (FCMA); Sarhan et al., (2019) who conducted a survey of partners; who conducted research on senior auditors, supervisors, managers, and partners at KAPs registered with the FCMA. The results of this study conclude that independence has a positive effect on audit quality. Thus research is consistently in line with. Liu, (2017), Mao et al., (2020) Singh et al., (2019), Putri et al., (2021), Le et al., (2021), Sarhan et al., (2019) which found auditor independence has a positive influence on audit quality.

Effect of Audit Quality on Institutional Reputation

The estimation results show that audit quality has a positive and significant effect on the institution's reputation. In general, it is explained that any increase in audit quality will significantly improve the reputation of the institution, as seen from the t count which is greater than the t-table. In line with this theoretically Hou et al., (2020), reputation is an auditor's perception that is formed from quality audits in the past, namely those presented in accordance with professional standards in order to protect the interests of clients and the public. According to Asante-Appiah, (2020) auditing is seen as an industry that emphasizes a belief system. Therefore, investors rely on the reputation of the auditor in assessing/evaluating the credibility of the entity's financial statements.

Based on the results of the responses to questions from the questionnaire distributed regarding the complexity of the task, as many as 21 people responded to the questionnaire with high task complexity and 36 people (34.9 percent) responded to

the high reputation of the institution. Meanwhile, 28 people (25.2 percent) answered the questionnaire in the category of high institution reputation with 12 respondents answering low task complexity. In general, it explains that there is a correlation between audit complexity and the reputation of the institution, this explains that the majority of respondents with audit complexity have a high reputation of the institution. Theoretically explained that this reputation is built over time through the provision of quality audits. So that a quality audit will have a positive impact on audit institutions. The results of empirical research conducted by Suwarno Endro et al., (2018) concluded that audit quality and credibility significantly have a positive influence on the reputation of the institution. Like the private sector, the reputation of a public sector audit institution is also highly dependent on the quality of the audit produced by Blaufus et al., (2021).

Effect of Audit Task Complexity on Audit Quality

The estimation results show that audit task complexity has a positive and insignificant effect on audit quality. This is evidenced by the value of t-table which is smaller than t-count, thus the complexity of the audit task has no effect on audit quality. This study rejects the hypothesis in which the results of this study have no significant and positive effect. This is in contrast to various studies which The complexity of audit assignments can negatively affect professional judgment on audit results, especially since many audit assignments are very complex in nature. Butar & Lily (2018).

In line with the results of the descriptive analysis and cross tabulations, it is shown that in general, more than 62.1 percent of respondents explained that audit complexity in the high category has high audit quality. In line with the descriptive results indicate that the average dimensions in these variables have an average value of around 4, this illustrates that the respondents' responses to the questionnaire questions are categorized as good. The results of Putri et al., (2021) prove that audit quality is influenced by audit complexity. Regarding audit complexity, this is regulated by Qodri et al., (2019) in the AU-C audit planning standard Section 300 Paragraph 01 which states that in audit planning, the audit team needs to consider

the complexity of the audit entity. This result can be explained because the audit quality of institutions differs according to their workload on the auditors. Thus, in order to maintain the quality of the audit, in preparing the audit strategy, the audit team needs to consider the use of experts to handle matters of a nature.

Effect of Audit Complexity on Institutional Reputation

Results of this study found that audit complexity has a positive effect on the reputation of the institution, which means that every increase in audit complexity will increase the reputation of the institution. The results of t-statistics explain that complexity has a significant effect on audit quality. In line with the results of the descriptive analysis and cross tabulation, it is shown that in general, more than 62.1 percent of respondents explained that audit complexity in the high category has a high institutional reputation. This condition is explained by showing that the average dimensions in the audit complexity and reputation variables have an average value of around 4, this illustrates that the respondents' responses to the questionnaire questions are categorized as good which describes the complexity of the audit and the reputation of the institution has a relatively high rating.

In general, this study rejects the hypothesis where complexity has a negative and significant effect which is in line with the research of Hou et al., (2020). This condition is explained by Asante-Appiah, (2020) auditing is seen as an industry that emphasizes the belief system. Therefore, investors rely on the reputation of the auditor in assessing/evaluating the credibility of the entity's financial statements.

If the entity's financial statements are complex and have a high burden, it will have a negative impact on the audit reputation which is the result of research by Endro et al., (2018), the reputation of the institution over time through the provision of quality audits. So that a quality audit will have a positive impact on audit institutions. The results of empirical research conducted by Suwarno Endro et al., (2018) concluded that audit quality and credibility significantly have a positive influence on the reputation of the institution. Like the private sector, the reputation of a public sector audit institution is also very dependent on the quality of the audit produced by Blaufus et al., (2021)

Effect of Audit Quality on Institutional Reputation

The estimation results show that audit quality has a positive effect on the reputation of the institution where every increase in audit quality will significantly increase the reputation of the institution. This result is in line with DeFond & Zhang, (2014), auditors with a high reputation will try to maintain their audit quality because they do not want to risk their reputation. The auditor's reputation for audit quality is measured based on the market perception of the competence of the auditor and the independence of the client.

Based on the tabular analysis, which summarized the questions from the questionnaires distributed regarding audit quality, 24 people (23.3 percent) responded to the questionnaire with high audit quality and 33 people (32 percent) responded to the high reputation of the institution. Meanwhile, 33 people (32.0 percent) answered the questionnaire in the category of high institution reputation. This is in line with theoretically showing that the relationship between audit quality and the reputation of the institution is positive, where every increase in audit quality will increase the reputation of the institution, this is in accordance with the tabulation analysis showing that the majority of respondents stated that high audit quality generally has a high reputation of the institution.

According to Singh et al., (2019), auditor reputation is influenced by perceived independence and competence and will increase along with increasing quality of audit results, namely credible financial information. Research by Hou et al., (2020) proves that companies that use auditors with good abilities will be more valued by the market because auditor reputation is important for the market. It is concluded that these results are in line with DeFond & Zhang, (2014), Singh et al., (2019), Hou et al., (2020), in which audit quality positively affects the reputation of the institution.

Indirect Mediation Effect Analysis Analysis

Audit Complexity mediated by Audit Quality on Institutional Reputation

In this study, the mediating role of audit quality on audit complexity and institutional reputation has a t-value of 10,213, which is above the required t-value of 1.645 so that H6 is accepted which means that the complexity of the audit is mediated by the

quality of the audit on the reputation of the institution. The results of this study indicate that the role of the mediation has a relatively high value and the effect is quite calculated, it is also supported by the results of the probability test that the variables have a (one-way) and significant relationship on the standard of testing.

Auditor Independence is mediated by Audit Quality on Institutional Reputation.

In this study, the mediating role of audit quality on audit independence and institutional reputation has a t-value of 3.00, which is above the required t-value of 1.645 so that H7 is accepted which means that Audit Quality mediates Auditor Independence towards Institutional Reputation. The results of this study indicate a relatively low value, it can be interpreted that the influence of audit quality in mediating auditor independence on the reputation of the institution is small, these findings can be a new benchmark that actually audit quality is not necessarily judged by how much independence the auditor is in terms of reporting that is be honest with the reputation of the institution because it is precisely the complexity of the audit that has a greater influence value. The results of this study are generally contrary to the study conducted by Ramesh & Ramanathan (2020) using path analysis found that countries such as India need strict regulatory and regulatory adjustments. to ensure that the audit profession always has a good impact in this case improving the quality of auditors is determined by factors such as auditor independence, auditor size, and auditor reputation.

However, this research is supported by a study conducted by Mao et al., (2020) whose research focus is on examining the use of auditor participation in auditing, this shows that there is doubt in the auditor's independence assessment of audit quality which in general will have an impact on the reputation of the auditor himself.

Conclusions

Based on the results of the hypothesis analysis test in the previous chapter, there are several things that can be concluded from this study, namely:

1. Audit independence has a positive and significant effect on audit quality. This explains that the increasing independence of auditors will improve audit quality.
2. Audit independence has a positive and significant effect on the reputation of the institution. This explains that the increasing independence of auditors will increase the reputation of the institution.
3. Audit complexity has a positive and significant effect on audit quality, thus this condition means that every increase in audit complexity will increase audit quality.

The complexity of the audit has a positive and significant effect on the reputation of the institution, thus this condition means that every increase in the complexity of the audit will increase the reputation of the institution. Audit quality has a positive and significant effect on the reputation of the institution.

This condition means that every increase in audit quality will increase the reputation of the institution. The results show that the audit complexity variable rejects the hypothesis, thus it is necessary to consider for further studies why audit complexity is proven to increase audit quality and not vice versa. As for the variables of independence and audit quality, it is proven to have a positive effect on the reputation of the institution, thus recommendations to the agency to improve the reputation of the institution in terms of independence and audit quality.

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