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Abstract

This study aims to analyze the influence of auditor independence, competence, and integrity on audit quality, as well as the role of a professional code of ethics as a moderating variable in this relationship. This study uses a quantitative method with a PLS-SEM approach. The sample consisted of 184 auditors at South Jakarta Public Accounting Firms (KAPs), selected through purposive sampling. Data were collected through questionnaires that had been tested for validity and reliability, as well as interviews with senior auditors to understand the challenges in implementing a professional code of ethics. The analysis results show that auditor independence, competence, and integrity have a positive and significant effect on audit quality, with integrity being the most dominant factor. Furthermore, a professional code of ethics has been shown to strengthen the relationship between independence, competence, and integrity with audit quality, meaning that strict implementation of a code of ethics increases effectiveness and ensures transparent and high-quality audits. However, interviews revealed challenges in implementing a code of ethics, including pressure from clients, long-term relationships that threaten independence, and a lack of training related to the code of ethics in some KAPs.

Introduction

The public accounting profession is closely linked to the trust and evaluation of its clients. Therefore, any violation of the accounting code of ethics will tarnish the profession's image. Several cases of violations of independence, integrity, and objectivity of accountants have eroded trust in the public accounting profession. The Financial Services Authority (OJK) revoked the operating license of Crowe Indonesia in 2023 for violating audit standards and the profession's code of ethics (Bisnis.com, 2023). The suspension of auditor Kasner Sirumapea's license from KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan due to audit errors that violated the code of ethics of integrity and professional due diligence (OJK, 2019). Similarly, the case of PT Hanson International also involved violations of the accountant's code of ethics, so audit objectivity is an important audit standard for implementing the principles of the accountant's code of ethics that must be adhered to (Saridawati et al., 2024).

Violations of the principles of auditor independence, integrity and competence will have a negative impact on the reputation of the public accounting profession, which can reduce the level of public trust in the quality of the company's financial reports. The accountant's code of ethics can be likened to a compass that points the moral direction and guarantees the moral quality of the accounting profession. Strictly implementing the accountant's code of ethics will positively impact

on the quality of audits of a company's financial statements, and vice versa. Implementation The principles of integrity, objectivity, confidentiality and competence are part of the accounting profession that cannot be ignored (Lestari & Djamil, 2024). According to Sahidah et al. (2023), the quality of an auditor's performance is determined by the accountant's commitment to implementing the principles of the auditor's code of ethics. Therefore, audit quality is determined by an understanding of and commitment to carrying out audit tasks in accordance with ethical standards as a reference in carrying out their duties and responsibilities.

The auditor's overall competence and independence, ability to detect potential misstatements, and independence in providing audit opinions are determining factors in audit quality (Luter et al., 2021). Likewise, the principle of auditor independence influences and impacts the quality of audit results and positively contributes to convincing stakeholders that the financial reporting process complies with financial accounting standards. This will positively impact and contribute to efforts to create and maintain an efficient capital market (Lindberg & Beck, 2004). One of the characteristics of an efficient capital market is demonstrated by an adequate accounting information system that supports investors' decision-making in the capital market. Furthermore, the application of the principle the auditor's objectivity and integrity are related to the audit opinion which is expected to be unbiased (Lestari & Djamil, 2024).

Based on the phenomena that occur in society, especially the impact of audit quality on trust in the Indonesian capital market, this research focuses on the research question of the influence of audit quality on trust in the Indonesian capital market. The principles of auditor independence, competence, objectivity, and integrity influence audit quality. Furthermore, this study also seeks to uncover how the accountant's code of ethics moderates the application and understanding of the principles of auditor independence, integrity, competence, and objectivity on audit quality. The study was conducted at a public accounting firm located in South Jakarta.

Literature Review

The grand theory in this study uses auditing theory, which describes auditing as a systematic process aimed at obtaining and evaluating evidence objectively related to assertions about economic actions and events to determine the level of conformity between those assertions and established criteria, and communicating the results to interested parties. In conducting an audit, sufficient and objective evidence must be obtained as a basis for providing an audit opinion. Therefore, the audit opinion is influenced by the objectivity of the audit evidence collected, analyzed, and examined. Audit evidence is information or facts obtained by the auditor and used to determine whether the management assertions being examined are stated in accordance with established criteria. Furthermore, Arens et al. (2014) state that once evidence has been collected, the auditor must evaluate the quality and sufficiency of the evidence using the criteria of accuracy and sufficiency. The accuracy of the evidence is measured by considering the relevance and reliability of the evidence. Evidence is said to be reliable if the information provider is independent, obtained from the client's effective internal control structure, obtained directly by the auditor, obtained from a qualified information provider, obtained under objective conditions, and obtained in a timely manner. The sufficiency and quantity of audit evidence will impact audit quality, which is influenced by the accuracy, reliability, and relevance of audit results. Auditing theory provides a methodological framework that serves as the basis for audit implementation. Without a strong auditing theory, auditors will lack clear guidance for conducting a sound audit. Properly applied auditing theory and adhering to the code of ethics will positively impact high audit quality.

Contract theory in auditing is often associated with agency theory, which divides tasks and oversight between shareholders and company managers (management). However, due to the potential for conflicts of interest between management and shareholders, audits are used as a mechanism to reduce uncertainty and information asymmetry between the two parties. Auditors, as independent parties, are tasked through an audit contract to provide assurance that

management's financial statements reflect the actual conditions. Therefore, contract theory in auditing asserts that auditors have an obligation to act in accordance with the contract to reduce the risk of manipulation or errors in the company's financial reporting. In other words, auditors must adhere to the principles of the accountant's code of ethics to maintain audit quality in accordance with the contract.

Auditor independence relates to the attitude of independence regarding the relationship between the auditor and the audited company manager who has a responsibility to the profession to comply with standards accepted by fellow practitioners. Auditors must maintain independence in their mental attitude in all matters related to the audit because it affects the quality of the resulting audit. According to Arens et al. (2014), independence means taking an unbiased perspective. Auditors must be independent in fact and also in appearance. Meanwhile, according to Agoes (2017), independence in carrying out their duties, members of a public accounting firm must always maintain an independent mental attitude in providing professional services as regulated in the professional standards of public accountants.

Several factors that can threaten auditor independence include those related to financial relationships, such as share ownership or other business relationships between the auditor and the company being audited. To maintain independence, auditors must: comply with professional standards, avoid conflicts of interest, and implement appropriate safeguards. By maintaining independence, auditors can provide reasonable assurance that an entity's financial statements are presented fairly and in accordance with applicable standards.

Auditor competence is defined as a person's personal attributes in carrying out their duties or a person's ability to carry out tasks with good performance (Halim et al., 2014). According to Agoes (2017), competence is a skill and ability in carrying out a job or profession. A competent person means someone who can carry out their work with good quality results. In a broad sense, competence includes mastery of knowledge and skills, as well as having the appropriate attitude and behavior to carry out their job or profession.

According to Arens et al. (2014), competence is a requirement for auditors to have formal education in auditing and accounting, adequate practical experience for the work being performed, and to participate in continuing professional education. According to the Statement of State Financial Audit Standards (BPK, 2017), competence is the education, knowledge, experience, and/or expertise possessed by an individual, both regarding audits and regarding certain matters or fields. Auditors collectively must have adequate professional competence to carry out audit duties. This professional competence is proven by a professional certificate issued by an authorized institution or other documents stating expertise.

Integrity is a condition where a person can act according to his or her heart's desires under any circumstances. According to Siregar et al. (2021), integrity is an auditor's honest, courageous, wise, and responsible attitude in conducting audits. It is the quality that underpins public trust and serves as a benchmark for members to review all their decisions. Integrity requires auditors to be honest, transparent, courageous, knowledgeable, and responsible in conducting audits. Integrity also requires a member, among other things, to be honest and straightforward without compromising the confidentiality of service recipients; service and public trust should not be defeated by personal gain. Integrity also requires a member to be honest and straightforward without compromising the confidentiality of service recipients. Integrity allows tolerance for honest disagreements and unintentional mistakes, but cannot tolerate deception or the loss of values. According to (Rifai & Mardijuwono, 2020), integrity has four dimensions, namely auditor honesty, auditor courage, auditor wisdom, and auditor responsibility.

Research Method

The research object was found to be attached to the research subject (Arikunto, 2016) which are called research variables. The objects of this research or research variables are independence,

competence, integrity, audit quality, and the auditor's professional code of ethics as moderating variables. The type of research is descriptive quantitative research that uses numerical data and statistical analysis to test hypotheses, measure variables, and draw objective and measurable conclusions. In data processing, it uses Partial Least Square (PLS) with a path diagram to describe the relationship between latent variables and dimensions/indicators (observed variables) in a structural equation model with PLS. Refers to the operationalization of variables where the measurement of latent variables is carried out through dimensions/indicators (observed variables). The population in this study is all KAP members in South Jakarta city. The unit of analysis in this study was all members of the Public Accounting Firm in South Jakarta, totaling 84 public accountants, 50 manager-level auditors, and 50 supervisor-level auditors, totaling 184 people. This study used a simple random sampling technique, and the data collection method was a questionnaire method that was designed in advance and distributed directly to respondents.

Results and Discussion

Discriminant validity in a measurement model aims to ensure that each indicator used in the study is more highly correlated with the latent variable it measures than with other latent variables. One method used to test discriminant validity is cross-loading, where each indicator should have the highest loading on the latent variable it measures and a lower loading on the other latent variables. Table 1 presents the Discriminant Validity (Cross-Loading) in this study.

Overall, the results of discriminant validity (cross-loading) indicate that each indicator used in this study has the highest correlation with the latent variable they measure, compared to other latent variables. This proves that the measurement model in this study has met the criteria of discriminant validity, so it can be used for further analysis in the structural model (inner model). Thus, the model used in this study is valid and reliable for measuring the relationship between the latent variables analyzed. Partial Least Squares-Structural Equation Modeling (PLS-SEM). This method compares the square root of the Average Variance Extracted (AVE) of a latent variable with the correlation between other latent variables as shown in the Table 2.

Table 1. Discriminant Validity (Cross Loading)

	Independence (X1)	Competenc e (X2)	Integrity (X3)	Audit Quality (Y)	Code of Ethics (Z)
Executing	0.959	0.562	0.532	0.638	0.534
Planning	0.973	0.475	0.509	0.532	0.439
Reporting	0.961	0.487	0.560	0.682	0.303
Functional Competencies	0.450	0.915	0.607	0.442	0.449
Professional Competencies	0.596	0.928	0.434	0.695	0.453
Board Business Perspective	0.597	0.944	0.666	0.525	0.346
Honesty	0.545	0.477	0.867	0.427	0.501
Courage	0.417	0.407	0.850	0.687	0.405
Wise	0.639	0.322	0.812	0.615	0.698
Responsibility	0.672	0.323	0.930	0.430	0.568
Input	0.633	0.622	0.437	0.946	0.648
Process	0.494	0.563	0.412	0.917	0.619
Output	0.661	0.512	0.329	0.891	0.575
Public Interest	0.537	0.324	0.337	0.603	0.942
Objectivity	0.574	0.459	0.391	0.644	0.902
Precision	0.578	0.371	0.616	0.617	0.870
Scope	0.418	0.482	0.316	0.552	0.907

Source: Research Data Processing Results (2025)

Table 2. Fornell-Larcker Criterion

	Independence (X1)	Competence (X2)	Integrity (X3)	Audit Quality (Y)	Code of Ethics (Z)
Independence (X1)	0.965				
Competence (X2)	0.872	0.929			
Integrity (X3)	0.763	0.775	0.866		
Audit Quality (Y)	0.647	0.617	0.864	0.918	
Code of Ethics (Z)	0.857	0.948	0.791	0.669	0.906

Source: Research Data Processing Results (2025)

Path coefficients are used to measure the strength of the relationship between latent variables in the research model. The higher the path coefficient value, the stronger the relationship between the variables. Furthermore, the significance value (p-value) is used to test whether the relationship between the variables is statistically significant. The analysis results show that Integrity has the strongest influence on Audit Quality with a t-statistic value of 10.926, which is above the significance threshold at the 95% confidence level ($p \leq 0.01$). This indicates that the auditor's moral aspects, honesty, responsibility, and courage in carrying out their duties are more decisive in determining audit quality than competence or independence factors alone. Auditors with high integrity are more likely to produce objective, accurate, and reliable audit reports. Furthermore, Independence also has a significant influence on Audit Quality with a t-statistic value of 4.221, indicating that auditors who work independently without external pressure are able to evaluate financial statements more objectively and professionally. This indicates that the more independent the auditor is in carrying out the audit process, the higher the resulting audit quality.

Competence also has a significant influence on Audit Quality with a t-statistic value of 2.655, which means that the auditor's technical expertise, professional understanding, and business insight contribute to improving audit quality. In addition, the code of professional ethics has a significant relationship with audit quality with a t-statistic value of 2.391, which is above the significance threshold at the 95% confidence level ($p \leq 0.05$). This indicates that compliance with the professional code of ethics contributes to improving audit quality, although its influence is not as large as other variables. The code of ethics serves as a guide for auditors in maintaining objectivity and professionalism, but its role is more as a reinforcement than the main factor in determining audit quality.

Table 3. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Information
Independence (X1) → Audit Quality (Y)	0.198	0.194	0.047	4.221	0.000	Accepted
Competence (X2) → Audit Quality (Y)	0.156	0.061	0.086	2.655	0.023	Accepted
Integrity (X3) → Audit Quality (Y)	0.602	0.600	0.055	10.926	0.000	Accepted
Code of Ethics (Z) x Independence (X1) → Audit Quality (Y)	0.573	0.570	0.064	9.014	0.000	Accepted
Code of Ethics (Z) x Competence (X2) → Audit Quality (Y)	0.116	0.019	0.056	2.285	0.026	Accepted
Code of Ethics (Z) x Integrity (X3) → Audit Quality (Y)	0.150	0.152	0.063	2.391	0.017	Accepted

Source: Research Data Processing Results (2025)

In this study, hypothesis testing was conducted using the bootstrapping technique in Partial Least Squares-Structural Equation Modeling (PLS-SEM). The hypothesis testing aims to determine whether the relationship between the independent variables (Independence, Competence,

Integrity, and Code of Ethics) and the dependent variable (Audit Quality) is statistically significant. Table 3 presented the results of the hypothesis testing in this study.

The Influence of Auditor Independence on Audit Quality

The results of the analysis in this study indicate that Auditor Independence has a positive and significant influence on Audit Quality with a t-statistic value of 4.221 and a p-value of 0.000. This value is above the 99% significance threshold ($p \leq 0.01$), which means that the higher the level of auditor independence, the better the resulting audit quality. Auditor independence is a fundamental aspect in the audit process because it allows auditors to assess financial statements objectively without pressure from management or other stakeholders.

These results align with research by Jannah (2021), which states that auditor independence plays a crucial role in ensuring the credibility of audited financial statements and increasing the transparency of financial information. Auditors who work independently are more likely to provide accurate opinions and are not influenced by client interests, resulting in higher-quality audits. They revealed that independence is a key element in audit effectiveness because it enables auditors to act objectively and professionally in disclosing audit findings. Theoretically, the results of this study also support agency theory, which argues that auditor independence is a monitoring mechanism that helps reduce information asymmetry between company owners (principals) and management (agents). Independent auditors act as third parties with no personal interest in the company's financial statements, making them better able to identify and report errors or fraud committed by management.

The Influence of Auditor Competence on Audit Quality

The results of the hypothesis test in this study indicate that Auditor Competence has a positive and significant influence on Audit Quality with a t-statistic of 2.655 and a p-value of 0.023. This value is greater than the p-value ≤ 0.05 , indicating that auditors with a higher level of competence are better able to detect errors in financial statements and provide quality audit recommendations. The results of this study are in line with research by Angelina and Syaiful (2022) and Jannah (2021), which confirmed that auditors with good technical skills are more likely to provide more in-depth audits and are more accurate in detecting fraud in financial statements. This finding supports the human capital theory, which states that individual competence is influenced by the education, experience, and professional training they have received. Auditors who handle companies from more complex industries, such as the financial sector, multinational manufacturing, or technology, often require a specialized understanding of business operations and specific regulations in those sectors. High workloads can also cause auditor fatigue, which can affect the accuracy of their audits. Practical implications for public accounting firms and regulators in improving policies related to auditor competency. Stricter policies regarding mandatory ongoing professional training, more effective mentoring systems for junior auditors, and more optimal workload management are needed to ensure auditors can perform optimally without compromising audit quality.

The Influence of Auditor Integrity on Audit Quality

The results of the hypothesis test in this study indicate that Auditor Integrity has a significant influence on Audit Quality. This result is evidenced by the highest t-statistic value of 10.926 and a p-value of 0.000. Auditors with a high level of integrity are more likely to produce transparent, objective, and trustworthy audits. The results of this study are in line with the research of Evia et al. (2022) and Febriani and Kuntadi (2024) which show that auditors with a high level of integrity are more likely to maintain the principle of honesty in every stage of the audit, thus producing more accurate and trustworthy audit reports. Integrity is a core aspect of the audit profession, where auditors with high integrity will be more likely to disclose irregularities in financial statements, even

if it can negatively impact their relationship with clients. also found that auditors who uphold integrity will reject any form of financial statement manipulation, even if they have to face consequences such as losing audit contracts or pressure from client management.

Agency theory also supports the findings of this study, which argue that auditors act as independent parties overseeing financial statements to ensure there is no bias or manipulation by company management. With high integrity, auditors can better perform this function, thereby increasing stakeholder trust in the audited financial statements. Therefore, stricter policies for overseeing auditor ethics, continuous improvement of professional ethics training, and a protection system for auditors facing pressure from clients or external parties are needed.

The Influence of Auditor Independence on Audit Quality with the Auditor's Professional Code of Ethics as a Moderating Variable

The results of the hypothesis test in this study indicate that the code of professional ethics strengthens the relationship between Independence (X1) and Audit Quality (Y), as indicated by the t-statistic value of 9.014 and p-value of 0.000. These results indicate that the implementation of the code of professional ethics by auditors is able to strengthen the impact of independence on audit quality. The code of ethics serves as a moral and professional guideline for auditors in carrying out their duties, thus helping to ensure that their independence is maintained even when facing pressure from external parties. This finding is in line with the research of Santoso et al. (2020) and Stanley and Pangaribuan (2023), auditors who strictly follow the code of ethics tend to have higher integrity and professionalism, so they are better able to resist pressure from clients that can threaten their independence. Strict implementation of the code of ethics in public accounting firms (KAP) increases the effectiveness of auditor independence, because the code of ethics provides a legal and moral basis for auditors to make objective decisions. In addition, auditors who consistently implement the code of ethics are more likely to report financial irregularities and are not easily influenced by long-term business relationships with clients.

These findings support the theory of professional ethics, which states that a professional code of ethics is an instrument that maintains auditor independence and objectivity in carrying out their duties. The results of this study confirm that a professional code of ethics is a crucial tool in maintaining auditor independence and improving audit quality. For a code of ethics to be truly effective in practice, stricter oversight policies, more comprehensive education on professional ethics, and protection mechanisms for auditors facing client pressure are needed.

The Influence of Auditor Competence on Audit Quality with the Auditor's Professional Code of Ethics as a Moderating Variable

The results of the hypothesis test in this study indicate that the code of professional ethics strengthens the relationship between competence (X2) and audit quality (Y), as evidenced by the t-statistic value of 2.285 and p-value of 0.026. This value indicates a significant relationship at the 95% confidence level ($p \leq 0.05$), which means that the code of professional ethics can increase the impact of auditor competence on the resulting audit quality.

These findings confirm that auditor competence must be balanced with adherence to the professional code of ethics in order to produce a quality audit. Auditors with high competence are more likely to provide an accurate audit opinion. The results of this study are in line with the research of Siahaan and Simanjuntak (2019), which emphasized that auditors with high competence but lacking a strong ethical foundation are more vulnerable to client pressure, especially in situations where auditors are faced with complex moral dilemmas. The results of this same study are also in line with those of Rahayu and Suryanawa (2020), Muhammad et al. (2024), and Santoso et al. (2020), which stated that auditor integrity has a positive effect on audit quality, moderated by

auditor professionalism. This means that the higher the auditor's integrity in carrying out the audit, the better the quality of the audit produced by the auditor.

These findings also support the theory of professional ethics, which asserts that the application of a professional code of ethics serves as a moral guideline that ensures auditors act in accordance with professional standards, regardless of their level of competence. Human capital theory also supports this research finding, stating that a person's competence depends not only on education and experience, but also on the ethical values that underline how those competencies are applied in their professional practice. Furthermore, Agency Theory states that a professional code of ethics is a mechanism that can ensure that auditors act independently and objectively in carrying out their duties, thus preventing them from being easily influenced by the interests of company management. Auditor competence alone is not sufficient to significantly improve audit quality without strengthening the professional code of ethics. Stricter policies on the application of the code of ethics, more comprehensive education regarding professional ethics, and support mechanisms for auditors facing ethical dilemmas in the field are needed.

The Influence of Auditor Integrity on Audit Quality with the Auditor's Professional Code of Ethics as a Moderating Variable

The results of the hypothesis test in this study indicate that the code of professional ethics strengthens the relationship between Integrity and audit quality, as evidenced by the t-statistic value of 2.391 and p-value of 0.017. These results indicate that the relationship is significant that the implementation of the professional code of ethics can strengthen the influence of auditor integrity on audit quality. The professional code of ethics acts as the main guideline that ensures that auditors can apply their integrity consistently in facing various external pressures that can threaten audit quality. The results of the study are in line with Rahayu and Suryanawa (2020), Elyasinta (2022), and Fatah et al. (2017), which states that auditor integrity has a positive effect on audit quality moderated by auditor professionalism. This means that the higher the auditor's integrity in carrying out the audit will affect the quality of the audit produced by the auditor.

These findings also support the theory of professional ethics, which asserts that the implementation of a code of ethics serves as a control mechanism for auditors to continue carrying out their duties in accordance with moral standards and professionalism. Auditors act as independent agents responsible to shareholders in ensuring that financial statements are not distorted by management interests. With a professional code of ethics, auditors have a strong basis to reject any form of pressure that could interfere with their objectivity. The results of this study are also in line with the results of research by Pangaribuan et al. (2023) and Stanley and Pangaribuan (2023), which confirmed that the implementation of an accountant's code of ethics has a positive and significant effect on audit quality. This means that audit quality is influenced by the auditor's understanding of and adherence to their professional code of ethics.

Conclusion

Based on the analysis and discussion above, it can be concluded that auditor independence, auditor competence, and auditor integrity have a positive and significant impact on audit quality. This means that the application of the principles of public accounting professional ethics with a good understanding and a strong commitment to implementing them has a positive impact on the quality of the audit provided. In addition, the understanding and application of the accounting professional code of ethics can moderate the relationship between the principles of independence, competence, and integrity and audit quality. This means that the professional code of ethics can strengthen the relationship between integrity, competence, and auditor independence and audit quality. The results of this study have implications for auditors who can increase awareness of the importance of a professional code of ethics as a guideline in carrying out audit duties. For public accounting firms,

it has positive implications in strictly implementing independence, competence, and integrity standards, so that the resulting audit quality is more optimal. For regulators such as the Indonesian Institute of Public Accountants (IAPI) and the Financial Services Authority (OJK), it is necessary to be more active in supervising and enforcing the implementation of the professional code of ethics within the KAP environment. A strict sanction enforcement system for auditors proven to violate the professional code of ethics can thus increase auditor compliance in implementing ethical standards. A limitation of this study is that it cannot be generalized to all auditors in Indonesia because it only covers auditors working at South Jakarta Public Accounting Firms. For further research, it is recommended that the sample be expanded and the scope of the study be expanded by linking audit quality with external factors that can affect audit quality, such as time pressure, auditor workload, and government regulations. Therefore, further research can explore these factors.

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