

Exploring the Interplay: Tax Compliance, Financial Reporting Quality, and Auditor Competence - a Survey - Based Analysis

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ABSTRACT

This study investigates the impacts of auditor competence (AC) and auditor experience (AE) on tax compliance (TC) and financial reporting quality (FRQ). Employing a quantitative research methodology, the study collected data from 67 auditors in Jakarta using purposive random sampling. These auditors, with a minimum of one year of experience, responded to a structured questionnaire distributed via email and WhatsApp. The data analysis was conducted using Smart-PLS to evaluate relationships between AC, AE, TC, and FRQ. Findings revealed that AC significantly enhances both TC and the FRQ. AE also positively influences these outcomes, albeit its hypothesized role as a moderator in the relationship between AC and the auditing outcomes did not show significant effects. These results underline the importance of both AC and AE in achieving high standards in audits but suggest that the interaction between these factors is complex. The study emphasizes the need for targeted professional development that enhances both the depth of competence and the strategic application of experience. It highlights the importance of creating training programs that address specific skills and knowledge areas relevant to improving audit quality and compliance.

1. INTRODUCTION

In today's dynamic and increasingly complex business environment, the role of auditors has become more pivotal than ever in ensuring transparency, accountability, and compliance within organizations. Auditors serve as critical gatekeepers in safeguarding the integrity of financial reporting, which, in turn, influences stakeholders' trust in both private and public institutions (Surya et al., 2020). A fundamental element underpinning the effectiveness of auditors lies in their competency and experience, which directly impact the accuracy, reliability, and comprehensiveness of financial statements (Mustika, 2023). Moreover, TC, as an integral part of corporate governance, is heavily reliant on the quality of audits performed (Hidayati et al., 2023). Ineffective auditing, whether due to a lack of technical expertise or insufficient experience, can lead to misstatements, non-compliance with tax regulations, and ultimately, reputational and financial risks for businesses (Sayed Hussin et al., 2017). Despite the acknowledged importance of these factors, there remains limited empirical investigation into the nuanced interplay between AC, experience, and their combined effects on both TC and FRQ. This study aims to address these gaps by exploring how these variables interact within the auditing context, providing valuable insights for enhancing audit practices and contributing to the broader discourse on corporate governance.

Despite the critical importance of auditing in maintaining financial accuracy and regulatory compliance, numerous challenges persist that undermine the efficacy of audits. Key among these challenges is the variability in AC and experience, which can significantly influence the quality of audits conducted (Isniawati et al., 2023). Studies have shown that discrepancies in auditor abilities and their experiential backgrounds lead to divergent outcomes in terms of both TC and the quality of financial reporting. Such variations can precipitate a range of adverse effects, from financial misstatements to non-compliance with tax laws, posing substantial risks to stakeholders and undermining the financial system's integrity. However, the specific mechanisms through which AC and AE impact TC and FRQ have not

been thoroughly explored (Cahaya Purnama et al., 2024). This research aims to delve into these relationships, providing a clearer understanding of how auditors' professional attributes affect their performance and the consequent implications for regulatory adherence and reporting accuracy.

This study is primarily driven by the imperative to unravel the intricate relationships between AC, TC, and FRQ. Given the substantial impact that auditor qualifications and experience have on audit outcomes, this research aims to systematically investigate these variables. The primary objective is to assess how AC directly influences TC and the quality of financial reports, crucial indicators of financial transparency and regulatory compliance. Additionally, this study seeks to explore the moderating role of AE in these relationships, positing that experience could enhance or attenuate the effects of AC. Through this dual focus, the research endeavors to offer both theoretical insights and practical recommendations for enhancing auditor training and performance, thereby improving overall audit quality and reliability in financial reporting.

Previous research has extensively examined various aspects of auditing, highlighting the significance of AC and experience in enhancing FRQ and compliance with tax regulations. However, there remains a discernible gap in the literature regarding the combined effects of these variables on auditing outcomes. While individual contributions of AC and experience have been acknowledged, less is known about how these factors interact and the extent to which AE can modulate the influence of competence on TC and FRQ. This gap points to a critical need for empirical research that integrates these dimensions to provide a more comprehensive understanding of their interplay. Addressing this lacuna, our study seeks to fill this void by examining both the direct and moderated effects of AC and experience, thereby contributing novel insights into the auditing literature and offering implications for policy and practice in the field.

The novelty of this study lies in its integrated approach to examining the intersection of AC, experience, TC, and FRQ, an area that has received limited attention in the existing literature. While prior research has addressed these elements in isolation, few studies have explored the synergistic effects of competency and experience within the auditing context, particularly regarding their impact on regulatory compliance and financial reporting. By investigating how AE moderates the relationship between competence and audit outcomes, this research offers a fresh perspective on enhancing the quality of audits in today's complex regulatory landscape. Furthermore, this study's findings are expected to provide valuable insights for both academic scholars and practitioners, contributing to the development of improved auditing practices and training programs. This research is timely and significant, particularly as organizations and regulators increasingly prioritize transparency and compliance in response to heightened scrutiny and evolving financial regulations.

2. LITERATURE REVIEW

Human resource quality, especially in terms of experience and competence, plays a pivotal role in enhancing the robustness of financial reporting and TC [7, 8]. Auditors with higher competencies and extensive experience bring a nuanced understanding and critical analytical skills that significantly improve the accuracy and reliability of financial audits. These attributes enable them to effectively navigate the complex and evolving landscape of accounting standards and tax regulations, thereby ensuring compliance and minimizing risks of financial misstatements (Judijanto et al., 2023). Moreover, seasoned auditors are better equipped to mentor junior staff, fostering a culture of excellence and ethical practices within their organizations. This cascade of expertise not only boosts the integrity of financial reporting but also strengthens the overall financial health of organizations, making the auditor's role critical in the sustained success of any business operating in the finance and accounting sectors (Sari et al., 2024).

This section delves into the extant literature on the roles of AE and competence in influencing TC and FRQ. It further explores how AE acts as a moderating variable in the relationship between AC and these key auditing outcomes. Each thematic area is underpinned by relevant theories and empirical findings, which serve as a basis for hypothesis formulation. This systematic examination helps in establishing a coherent framework that links theoretical constructs with empirical inquiry, setting the stage for a detailed analysis of the interdependencies within auditing practices.

1. AE and TC

AE is a critical factor in enhancing the effectiveness of TC efforts. Experienced auditors possess a nuanced understanding of tax laws and regulations, which is essential in navigating the complex landscape of financial audits. Prior studies suggest that the depth of an auditor's experience correlates positively with their ability to identify tax issues and ensure compliance. For instance, (Abernathy et al., 2021) highlighted that auditors with extensive experience are more adept at applying tax laws creatively to ensure compliance while minimizing liabilities for their clients. Theoretical underpinnings from the field of expertise and judgment in auditing suggest that experiential learning contributes significantly to an auditor's cognitive base, thereby enhancing their decision-making capabilities in tax-related matters. This theoretical framework aligns with findings from (Zain et al., 2023), who observed a strong linkage between AE and improved compliance outcomes, particularly in complex tax scenarios.

H1: AE is positively associated with the level of TC in financial audits.

2. AE and FRQ

The impact of AE on FRQ has been a significant focus in auditing research. Experience not only hones an auditor's technical skills but also enriches their judgment and ethical decision-making capabilities, which are crucial for high-quality financial reporting (Muhamad Abdul Hafizh & Yuha Nadhirah Qintharah, 2024). According to (Abbas, 2023), seasoned auditors exhibit a greater ability to scrutinize complex financial statements accurately, reducing errors and ensuring a high level of report integrity. Empirical evidence, such as the study by (Mediawati, 2023), supports the premise that AE positively influences FRQ by facilitating more effective detection and resolution of discrepancies and anomalies. Theoretical perspectives from cognitive psychology suggest that as auditors gain experience, they develop a refined heuristic approach to auditing tasks, which enhances their efficiency and effectiveness in ensuring accurate financial disclosures (Muren & Pangaribuan, 2022).

H₂: AE is positively associated with FRQ.

3. AC and TC

The role of AC in ensuring TC is a foundational theme in auditing literature. Competence, encompassing both knowledge and skills in accounting and auditing standards, is crucial for auditors to effectively manage and ensure adherence to tax laws. Research by (Suwaldiman & Rheina, 2023) indicates that auditors who demonstrate higher levels of competency are significantly more likely to identify and rectify compliance issues, directly influencing the accuracy of tax filings and adherence to regulations. Theoretical frameworks such as the Theory of Reasoned Action suggest that AC influences their behavioral intentions and actions towards TC (Trivedi & Mawani, 2020). This is supported by (Faturachman & Puspitorini, 2023), who found that enhanced AC leads to improved compliance outcomes through meticulous scrutiny and application of tax regulations. The literature consistently suggests that competent auditors possess a deep understanding of tax codes and the proficiency to apply this knowledge effectively in diverse auditing scenarios (Hidayati et al., 2023).

H₃: AC is positively associated with TC.

4. AC and FRQ

AC, characterized by a deep understanding of accounting principles and rigorous training in auditing techniques, is pivotal in ensuring the quality of financial reporting. Literature highlights that competent auditors are crucial in detecting financial misstatements and inaccuracies that could potentially skew the true financial position of an organization (Tasios & Bekiaris, 2012). (Abbas, 2023) demonstrated that auditors with higher levels of competence are more effective in applying accounting standards rigorously, resulting in more accurate and reliable financial reports. From a theoretical perspective, the Competency Theory underscores that the specific competencies like analytical skills, attention to detail, and a thorough understanding of financial reporting standards are essential for auditors to perform their duties effectively (Chow et al., 2017). This theory is supported by empirical evidence from (Agbaje et al., 2021), who found a significant correlation between the level of AC and the quality of financial reporting, particularly in environments characterized by complex financial transactions.

H₄: AC is positively associated with the quality of financial reporting.

5. AE as a Moderator Variable

The moderating role of AE in the relationship between AC and key auditing outcomes— TC and FRQ—is a nuanced area of investigation within auditing literature. Empirical studies suggest that while AC is fundamental to achieving desired auditing outcomes, the depth of this impact can vary significantly with the level of AE. For instance, (Sayed Hussin et al., 2017) observed that in scenarios where auditors are highly competent, those with greater experience tend to leverage their expertise more effectively, resulting in enhanced TC and FRQ. Experienced auditors, with their extensive exposure to varied auditing situations, can provide a practical framework within which theoretical knowledge (competence) is applied. This enhances not only the application of standard procedures but also the adaptation to complex scenarios that deviate from the norm (Mustika, 2023).

The Interactionist Perspective, which explores how individual characteristics such as experience interact with competencies to affect performance, provides a theoretical basis for this relationship (Mediawati, 2023). According to this perspective, experience could amplify the benefits of competence by providing a richer context in which auditors apply their skills, as highlighted in the study by (Sumartono, 2022). This research indicates that experienced auditors can better navigate complex auditing tasks, thus maximizing the potential of their competencies.

H₅: AE moderates the relationship between AC and TC, such that the positive impact of competence on TC is stronger among more experienced auditors.

H₆: AE moderates the relationship between AC and FRQ, such that the positive impact of competence on FRQ is more pronounced among more experienced auditors.

This study meticulously delineates the relationships between AE, AC, TC, and FRQ. In alignment with the proposed hypotheses, a conceptual diagram of the study has been meticulously developed to visually represent these intricate relationships. This diagram, presented in Figure 1, serves as a foundational framework for understanding how AC and experience interact to influence critical auditing outcomes, including TC and FRQ. The diagram further illustrates the moderating role of AE, providing a clear and structured visual reference for the theoretical constructs and relationships explored in this research.

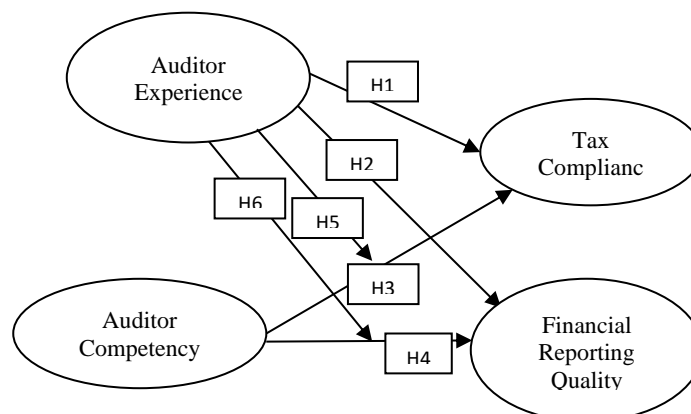


Figure 1. Conceptual Study

3. METHOD

This study adopts a quantitative approach to investigate the interrelationships between AC, AE, TC, and FRQ among auditors in Jakarta. Given the specialized nature of auditing, the population of interest consists of professionals working in public accounting firms within this bustling economic hub. To capture a representative sample reflective of competent auditing practices, we employed purposive random sampling with a criterion that participants must have at least one year of auditing experience. This inclusion criterion ensured that respondents had a foundational level of professional knowledge and experience necessary for providing insightful feedback on the complexities of auditing.

Data collection was conducted using a modern approach where questionnaires were distributed via an online survey through both the WhatsApp application and email. This method was selected to maximize response rates and accommodate the typically restrictive schedules of auditors. Of the 150 questionnaires that were disseminated, 67 were completed and returned in a form suitable for analysis, yielding a response rate of approximately 44.67%. This response rate is adequate for analysis in exploratory research such as this, where detailed insights into professional practices are sought.

In this study, the sample comprised 67 auditors working in public accounting firms in Jakarta, all of whom had over one year of experience in the field. The demographic breakdown of the respondents is notably skewed towards male participants, with 52 male auditors (77.6%) and 15 female auditors (22.4%), reflecting the common gender distribution trends in this profession within the region. In terms of professional roles, the sample included a diverse range of positions. There were 5 auditor managers (7.5%), which represent the leadership and oversight within auditing teams. Additionally, there were 12 auditor supervisors (17.9%), who are typically responsible for coordinating audit processes and mentoring junior staff. The majority of the sample, comprising 50 respondents (74.6%), held positions as junior auditors and staff auditors. These roles are crucial for the hands-on tasks of auditing and form the backbone of operational auditing activities within firms.

This demographic and professional composition provides a comprehensive overview of the auditing field in Jakarta, encompassing varied levels of experience and responsibility. This diversity enhances the study's insight into how competence and experience across different hierarchical levels influence auditing outcomes such as TC and FRQ.

Table 1. Measurement and Indicators

Indicators/ Items	Code	Mean	SD	FL	AVE	α	ρ
AE					0.695	0.890	0.919
Years of Experience in Auditing	AE1	5.881	0.594	0.890			
Variety of Auditing Projects Handled	AE2	5.776	0.609	0.878			
Leadership in Auditing Teams	AE3	5.448	1.137	0.776			
Experience with Financial Reporting Standards	AE4	5.373	1.104	0.843			
Experience in Risk Assessment	AE5	4.970	1.257	0.775			
AC					0.640	0.810	0.876
Understanding of Auditing Standards	AC1	5.328	1.070	0.707			
Application of Auditing Techniques	AC2	5.358	1.061	0.890			
Analytical Skills	AC3	5.433	1.096	0.765			
Attention to Detail	AC4	5.418	1.122	0.825			
TC					0.712	0.793	0.879
Reporting Accuracy	TC2	3.970	1.710	0.680			
Ethical Handling of Tax Matters	TC3	5.284	1.336	0.925			
Documentation and Record Keeping	TC4	5.313	1.518	0.905			
FRQ					0.786	0.864	0.917
Accuracy of Financial Statements	FRQ2	5.731	0.663	0.883			
Compliance with Accounting Standards	FRQ3	5.224	1.034	0.912			
Transparency in Financial Reporting	FRQ4	5.612	1.119	0.864			

The survey instrument was designed to measure the constructs of AC, AE, TC, and FRQ using a 5-point Likert scale. This scale ranged from 1 (Strongly Disagree) to 7 (Strongly Agree), allowing for nuanced capture of respondents' attitudes and perceptions across different dimensions of auditing.

For data analysis, the study utilized Smart-PLS (Partial Least Squares), a robust statistical tool appropriate for modeling relationships in complex data sets. Initial stages of data processing involved rigorous validity and reliability tests to ensure the integrity of the constructs. Construct validity was assessed through factor analysis, focusing on both convergent and discriminant validity to verify that the measures adequately represented and differentiated between the constructs. Reliability was evaluated using Cronbach's alpha and Composite Reliability, ensuring consistency and stability of the questionnaire items.

Upon establishing a reliable and valid measurement model, the structural model was analyzed to examine the hypothesized paths among constructs. Path coefficients were scrutinized for their strength and direction, with significance testing carried out via bootstrapping procedures to confirm the robustness of the observed relationships. This methodological approach not only adheres to rigorous academic standards but also enhances the practical relevance of the findings to the auditing field, contributing to a deeper understanding of the factors that influence audit quality and compliance in the dynamic context of Jakarta's economic landscape.

Table 1 presents the measurement and construction indicators for the constructs of AE, AC, TC, and FRQ as analyzed using Smart PLS. The table includes mean scores, standard deviations, factor loadings (FL), average variance extracted (AVE), Cronbach's alpha (α), and composite reliability (ρ) for each indicator associated with these constructs.

The indicators for AE include various dimensions such as years of experience in auditing, variety of auditing projects handled, leadership in auditing teams, experience with financial reporting standards, and experience in risk assessment. The factor loadings for these indicators range from 0.776 to 0.890, demonstrating robust convergent validity. The AVE for AE is 0.695, which is above the acceptable threshold of 0.5, indicating a good level of explained variance. Both Cronbach's alpha and composite reliability are above 0.8, signifying strong internal consistency and reliability of the AE construct.

This construct is measured through indicators such as understanding of auditing standards, application of auditing techniques, analytical skills, and attention to detail. The factor loadings here show good validity, with values ranging from 0.707 to 0.890. The AVE for AC stands at 0.640, corroborating substantial common variance among its indicators. With Cronbach's alpha and composite reliability values at 0.810 and 0.876, respectively, the AC construct exhibits high reliability.

TC is assessed through indicators like reporting accuracy, ethical handling of tax matters, and documentation and record-keeping. The factor loadings are particularly strong for ethical handling of tax matters (0.925) and documentation and record-keeping (0.905), while reporting accuracy shows a lower yet acceptable loading of 0.680. The AVE for TC is 0.712, reflecting good construct validity. The reliability measures, with a Cronbach's alpha of 0.793 and a composite reliability of 0.879, are satisfactory.

The FRQ construct is evaluated using indicators such as the accuracy of financial statements, compliance with accounting standards, and transparency in financial reporting. These indicators have loadings from 0.864 to 0.883. The AVE for FRQ is 0.786, indicating that the indicators adequately capture the essence of the construct. The construct also shows excellent reliability, with Cronbach's alpha at 0.864 and composite reliability at 0.917.

Overall, Table 1 delineates a solid foundation of measurement validity and reliability for the constructs used in the study. The high values of factor loadings, AVE, Cronbach's alpha, and composite reliability across all constructs confirm that the measurement model is robust, thereby providing a reliable basis for further structural analysis within the study.

4. RESULTS AND DISCUSSION

The measurement model results presented in Figure 2 demonstrate the reliability and validity of the constructs used in this study. Each construct in the model AE, AC, TC, and FRQ —is measured through multiple indicators, with the loading factors for most exceeding the minimum threshold of 0.7. This indicates strong and acceptable levels of indicator reliability, confirming that each indicator robustly measures its respective latent construct.

For the constructs of AE and AC, all indicators show high loading factors, ranging from 0.707 to 0.890 for AC and 0.776 to 0.878 for AE. This consistency suggests that these constructs are well-captured by their respective indicators, affirming the conceptual coherence and measurement precision. However, the initial measurement model included indicators for TC (TC1-TC4) and FRQ (FRQ1-FRQ4), where TC1 and FRQ1 were removed due to their failure to meet the minimum loading criterion. This adjustment was necessary to enhance the model's reliability and ensure that only statistically significant indicators contributed to the construct definitions. The retention of TC2, despite its loading factor lying just on the

threshold between 0.5 and 0.6, was justified by the need to preserve the integrity of the TC construct while ensuring that the Average Variance Extracted (AVE) for the construct met the minimum criteria. This decision supports the model's robustness, allowing for a comprehensive evaluation of TC without compromising construct validity.

The model's R-square values for TC and FRQ, indicated at 0.512 and 0.765 respectively, reveal a substantial explanatory power. These values represent the proportion of variance in TC and FRQ explained by the predictors in the model. A higher R-square value for FRQ suggests that the model is particularly effective in capturing the factors that influence this construct.

Overall, the measurement model's robustness, validated through high loading factors and satisfactory R-square values, highlights the effective operationalization of the theoretical constructs and underpins the subsequent analysis of the structural model. This foundation ensures that the relationships tested in the study are based on reliably measured variables, enhancing the credibility and generalizability of the findings.

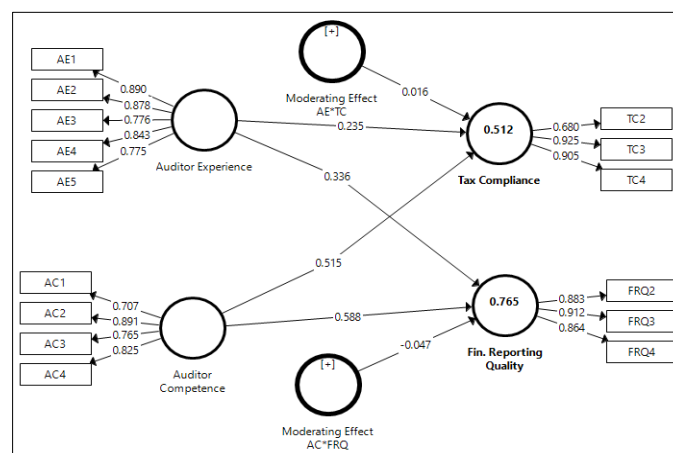


Figure 2. Measurement Model

Table 2 presents the correlation matrix and evaluates the discriminant validity for the constructs of AE, AC, TC, and FRQ used in this study. The diagonal entries, emboldened and underlined for emphasis, represent the square root of the Average Variance Extracted (AVE) for each construct, which are as follows: AE = 0.834, AC = 0.800, TC = 0.844, and FRQ = 0.848. These values exceed the off-diagonal correlation values in their respective rows and columns, confirming robust discriminant validity across the constructs.

To establish discriminant validity, it is critical that the square root of AVE for each construct is greater than the inter-construct correlations. This condition is satisfied in this analysis, as evidenced by the diagonal values being higher than the respective correlation coefficients. For instance, the correlation between AE and AC is 0.765, which is less than the square roots of their respective AVEs (0.834 for AE and 0.800 for AC), indicating that these constructs are empirically distinct.

Table 2. Correlations and discriminant validity

Construct	AE	AC	TC	FRQ
AE	0.834	0.677	0.754	0.687
AC	0.765	0.800	0.775	0.599
TC	0.801	0.788	0.844	0.783
FRQ	0.791	0.783	0.811	0.848

Note: The AVE square roots are shown by diagonal and bold numbers

Additionally, the correlation coefficients provide insights into the strength of relationships between constructs. Notably, the correlation of 0.801 between AE and TC is significant yet lower than the square root of AVE for both constructs, further supporting discriminant validity. The model's adherence to the HTMT criterion, with all values below 0.90, further corroborates the distinctiveness of

the constructs, ensuring that each construct captures a unique aspect of the auditor's attributes and their impact on auditing outcomes.

Overall, the discriminant validity assessment, coupled with the HTMT values and correlation analysis, substantiates the reliability and structural integrity of the measurement model. This framework facilitates a precise understanding of the relationships among the constructs, underpinning the study's findings with a robust empirical foundation.

Table 3 of the study presents a comprehensive evaluation of the structural model utilized to assess the relationships among the constructs of AE, AC, FRQ, and TC. The analysis incorporates several statistical metrics to evaluate the model's effectiveness, including R², Adjusted R², effect size (f²), predictive relevance (Q²), Variance Inflation Factor (VIF), Standardized Root Mean Square Residual (SRMR), and the Normed Fit Index (NFI).

The results reveal that the model explains a significant proportion of the variance in FRQ and TC, with R² values of 0.765 and 0.512 respectively. These figures indicate that the model captures 76.5% of the variability in FRQ and 51.2% in TC, signifying strong and moderate explanatory powers, respectively. The Adjusted R² values, which provide a more conservative estimate by adjusting for the number of predictors, also affirm robust model validity with values of 0.754 for FRQ and 0.488 for TC.

Effect sizes for AE and AC suggest that both constructs contribute meaningfully to the model, with small to moderate impacts delineated by f² values ranging from 0.167 to 0.295 for AE and 0.174 to 0.257 for AC. This indicates that while significant, the contributions of AE and competence are balanced, avoiding overwhelming influence on any single dependent variable.

Predictive relevance, as measured by Q² values of 0.373 for FRQ and 0.434 for TC, further supports the model's utility in forecasting outcomes based on the constructs studied. These values, significantly above zero, underscore the model's effectiveness in predicting future data points, enhancing the practical applicability of the findings.

The examination of multicollinearity through VIF values shows no substantial concerns, with all values well below the critical threshold of 5. This suggests minimal interference among the predictors, ensuring that the estimates are reliable and distinct. Specifically, VIF values of 2.127 for AE and 3.413 for AC demonstrate that the model is free from problematic levels of multicollinearity.

Table 3. Model Assessment

Constructs	R ²	Adj. R ²	f ²	Q ²	VIF	SRMR	NFI
AE	-	-	0.167-0.295	-	2.127	-	-
AC	-	-	0.174-0.257	-	3.413	-	-
FRQ	0.765	0.754	0.029	0.373	2.405	0.055	0.836
TC	0.512	0.488	-	0.434	-	0.049	0.847

Finally, the model's fit, assessed via SRMR and NFI, shows satisfactory alignment with the observed data. SRMR values of 0.055 for FRQ and 0.049 for TC are indicative of a good fit, while NFI values near 0.85 for both constructs suggest a reasonable fit, although there is some room for improvement. Overall, the structural model's robust performance across these metrics not only validates its structural integrity but also highlights its capacity to offer insightful analyses into how auditor characteristics influence key auditing outcomes. This comprehensive validation supports the strength and reliability of the measurement model employed in the study, contributing significantly to the auditing literature.

Table 4. Relationship Testing Result

Path of Structure	Coef. (β)	S.D.	95% BCa CI	P-Values	Concl.
AE -> TC	0.235	0.162	0.353, 0.131	0.047**	s
AE -> FRQ	0.336	0.104	0.419, 0.219	0.001*	s
AC -> TC	0.515	0.152	0.615, 0.021	0.001*	s
AC -> FRQ	0.588	0.098	0.687, 0.219	0.000*	s
AE x TC -> TC	0.016	0.064	0.119, 0.007	0.149	ns

AC x FRQ-> FRQ	0.047	0.101	0.117, 0.011	0.277	ns
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*** The results are significant at the 1% and 5% levels, correspondingly
s = supported, ns = not supported

1. AE on TC

In examining the influence of AE on TC, Table 4 reveals a positive relationship with a coefficient (β) of 0.235, which is statistically significant at the 5% level ($p = 0.047$). This finding corroborates the hypothesis that more experienced auditors are better able to ensure compliance with tax regulations. The underpinning for this relationship is well-documented within the existing literature, where the depth and breadth of an auditor's experience are shown to enhance their effectiveness in managing and ensuring TC. For instance, studies such as those by (Abernathy et al., 2021) suggest that seasoned auditors are adept at navigating the complexities of tax laws, applying them in ways that maximize compliance while minimizing liabilities for their clients. This ability is not merely a function of familiarity with tax laws but also stems from an experienced auditor's capacity to interpret and apply these laws in varied auditing contexts.

Further reinforcing this point, theoretical perspectives drawn from the field of expertise and judgment in auditing, as discussed in the literature review, argue that experiential learning significantly augments an auditor's cognitive base, enhancing decision-making capabilities in tax-related matters. Theoretical frameworks, such as the one proposed by (Zain et al., 2023), align with the observed empirical results, suggesting a robust linkage between AE and improved compliance outcomes, especially in complex tax scenarios. Moreover, the positive association between AE and TC observed in this study is consistent with prior research indicating that auditors with a greater depth of experience contribute to higher levels of TC. This contribution is likely due to their enhanced ability to identify potential compliance issues before they become problematic, a skill developed through years of auditing practice. The implication here is that experienced auditors, through their detailed understanding and application of tax regulations, play a crucial role in upholding the integrity of financial reporting and by extension, the overall financial health of the organizations they audit.

In summary, the relationship between AE and TC as identified in this study is supported by a solid theoretical foundation and is consistent with prior empirical findings. The significance of this relationship highlights the critical role of AE in enhancing TC, suggesting that investment in accumulating relevant auditing experience can lead to substantial improvements in compliance outcomes. This insight is particularly valuable for auditing firms and regulatory bodies aiming to bolster TC through targeted professional development and strategic placement of experienced auditors in roles where their skills can be most effectively utilized.

2. AE on FRQ

The relationship between AE and FRQ as highlighted in Table 4 demonstrates a significant positive effect, with a coefficient (β) of 0.336 ($p = 0.001$). This indicates that as auditors accumulate experience, the quality of financial reporting they oversee improves substantially. This finding aligns with the theoretical perspectives and empirical evidence from the literature review, which underscore the critical role of experience in enhancing auditors' technical skills, ethical judgment, and overall effectiveness in financial reporting. For example, (Abbas, 2023) and (Mediawati, 2023) have both found that experienced auditors possess superior abilities to scrutinize complex financial statements accurately, leading to a reduction in errors and an increase in report integrity.

Moreover, seasoned auditors are described in the literature as developing a nuanced understanding of accounting standards and a refined heuristic approach to auditing tasks. This expertise not only contributes to more effective detection and resolution of discrepancies but also ensures that financial disclosures are accurate and transparent. The positive association between AE and FRQ observed in this study confirms the hypothesis that experience enriches judgment and decision-making capabilities, which are crucial for high-quality financial reporting. In summary, the robust positive impact of AE on FRQ underscores the importance of cultivating deep experiential knowledge within the auditing profession. This insight suggests that auditing firms and regulatory bodies should focus on strategies that

enhance experiential learning opportunities for auditors to ensure the reliability and accuracy of financial reporting.

3. AC on TC

The relationship between AC and TC as demonstrated in Table 4 shows a strong positive effect, with a coefficient (β) of 0.515 ($p = 0.001$). This robust finding supports the hypothesis that AC significantly enhances TC, reflecting the importance of skills and knowledge in accounting and auditing standards for effective tax regulation adherence.

The literature review provides substantial backing for this relationship. For instance, (Suwaldiman & Rheina, 2023) highlights that competent auditors are more likely to detect and correct compliance issues, which directly influences the accuracy of tax filings and adherence to regulations. This finding aligns with the Theory of Reasoned Action, which suggests that AC influences behavioral intentions towards ensuring TC. Furthermore, prior research, such as that conducted by (Faturachman & Puspitorini, 2023), indicates that enhanced AC leads to better compliance outcomes through meticulous scrutiny and application of tax regulations. These findings collectively suggest that auditors with a deep understanding of tax codes and proficiency in applying this knowledge are critical in diverse auditing scenarios, where their expertise can effectively mitigate risks associated with non-compliance.

In summary, the evidence from this study along with the supporting literature emphasizes the significant impact of AC on TC. It highlights the need for continuous professional development and training in the auditing field to maintain high standards of TC, reinforcing the importance of competency development as a strategic focus for auditing firms and regulatory bodies.

4. AC on FRQ

The analysis between AC and FRQ shows a highly significant positive relationship, with a coefficient (β) of 0.588 ($p = 0.000$), as indicated in Table 4. This result supports the hypothesis that AC crucially impacts the quality of financial reporting, underscoring the role of auditors' skills and knowledge in enhancing report accuracy and reliability.

The literature supports this relationship extensively. Research by (Abbas, 2023) demonstrates that auditors who are highly competent in applying accounting standards contribute to more accurate and reliable financial reports. These findings are echoed in the Competency Theory, which posits that specific competencies like analytical skills, attention to detail, and thorough knowledge of financial reporting standards are vital for effective audit performance. Further, empirical evidence from (Agbaje et al., 2021) identifies a significant correlation between the level of AC and the quality of financial reporting, particularly in complex financial environments. This suggests that AC not only affects the technical aspects of financial reporting but also plays a critical role in ensuring the overall integrity and transparency of financial disclosures.

In summary, the strong association between AC and FRQ highlights the critical need for auditors to possess and continually develop a comprehensive understanding of accounting principles and auditing techniques. This insight emphasizes the importance of targeted training and development programs within the auditing profession to ensure that auditors are equipped to uphold high standards of financial reporting, which is fundamental to stakeholder trust and the effective functioning of financial markets.

5. AE as Moderator the Relationship between AC and TC

The exploration of AE as a moderating variable in the relationship between AC and TC presents an intriguing aspect of this study. According to Table 4, the interaction effect (AE x TC \rightarrow TC) resulted in a coefficient (β) of 0.016 with a p-value of 0.149, indicating that the moderation effect was not statistically significant.

This finding suggests that AE does not significantly alter the relationship between AC and TC within the context examined. This outcome contrasts with theoretical expectations derived from the Interactionist Perspective, which posits that individual characteristics such as experience can enhance the effectiveness of professional competencies in specific scenarios. Despite the non-significant moderation effect observed in this study, previous research has often highlighted the potential for

experienced auditors to enhance the impact of their competencies. For example, studies by (Sayed Hussin et al., 2017) suggest that more experienced auditors leverage their deep understanding and practical skills more effectively, particularly in complex compliance environments. This disparity between expected and observed outcomes may point to the nuanced role of experience in influencing compliance, potentially overshadowed by other variables not captured within this study's scope.

The literature further suggests that the impact of experience might be context-dependent or influenced by factors such as the nature of tax laws, auditor training, and the specific compliance challenges encountered. Thus, while the current study did not find a significant moderating effect of experience on the relationship between competence and TC, it does not negate the potential for such dynamics in different settings or under varied conditions.

6. AE as Moderator the Relationship between AC and FRQ

In examining the moderating effect of AE on the relationship between AC and FRQ, the analysis yields a coefficient (β) of 0.047 with a p-value of 0.277, as shown in Table 4. This result suggests that AE does not significantly moderate the impact of AC on FRQ within the parameters of this study. This finding challenges the theoretical perspectives suggested by the Interactionist Perspective, which posits that personal characteristics such as experience can amplify the benefits of professional competencies. The literature review highlighted that experienced auditors are expected to apply their competencies more effectively, particularly in enhancing the accuracy and transparency of financial reports. For instance, (Mediawati, 2023) argues that with increased experience, auditors can navigate complex financial reporting tasks more adeptly, potentially enhancing the effectiveness of their core competencies in auditing.

However, the non-significant moderating effect found in this study indicates that the straightforward enhancement of FRQ through increased experience might be more complex than anticipated. This outcome suggests that while AC is crucial in achieving high-quality financial reporting, the role of experience in enhancing this relationship may not be as influential as hypothesized, at least not in a directly measurable way within the study's framework. The absence of a significant moderating effect might also hint at the possibility that the levels of experience among the auditors in the sample were not sufficiently varied to demonstrate a clear moderating effect, or that other unmeasured factors such as organizational culture, the complexity of the financial reports, or specific industry challenges could be obscuring the potential influence of experience.

In summary, while the results do not support a significant moderating role of experience in the relationship between AC and FRQ, they do not negate the importance of experience in auditing practice. These findings prompt a reevaluation of the contextual and possibly multifaceted role of experience in enhancing the efficacy of AC, suggesting areas for further exploration and investigation in future research.

6. CONCLUSION AND IMPLICATION

The study's findings highlight the significant influences of AE and AC on TC and FRQ. AC shows a strong positive relationship with both TC and FRQ, indicating that the foundational knowledge and skills of auditors are crucial in ensuring the accuracy and integrity of financial reporting and compliance. AE also positively affects these outcomes, suggesting that the practical application of auditing skills, refined through years of practice, enhances the effectiveness of audits. However, the hypothesized moderating effects of AE on the relationships between AC and both TC and FRQ were not supported, indicating that while experience enriches auditor capabilities, its role as a direct enhancer of competence in affecting outcomes may not be as influential or straightforward as previously thought.

The conclusions drawn from this research underscore the complex nature of auditing, where both inherent AC and accumulated experience play critical roles but interact in nuanced ways that may not always amplify each other's effects as expected. These findings suggest that while both components are vital to high-quality auditing outcomes, their interactions might be influenced by other unmeasured factors such as organizational policies, auditor training programs, or the specific regulatory environments in which auditors operate.

From a practical perspective, the implications of these findings are significant for auditing firms and regulatory bodies. The strong links between AC and both key auditing outcomes suggest that enhancing educational and training programs for auditors is crucial. These programs should focus not only on developing technical skills and knowledge but also on applying these skills effectively in diverse and complex scenarios. Furthermore, the unexpected lack of significant moderation by AE suggests that simply increasing years of service is not sufficient. Instead, targeted experiences that strategically enhance understanding and practical application in specific areas of compliance and reporting may be more beneficial.

For policy-making and organizational strategy, these results recommend a nuanced approach to auditor deployment and continuous professional development. Organizations may benefit from fostering environments that support ongoing learning and adaptation to new regulations and standards. Additionally, the findings encourage policies that facilitate mentorship and knowledge sharing among auditors at different stages of their careers, leveraging the experience of seasoned professionals to elevate the overall quality of auditing practices and compliance levels within firms. These strategies will not only improve the quality of financial reporting and compliance but also enhance the reputation and credibility of the auditing profession.

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