THE IMPINGEMENT OF AUDIT TENURE, AUDIT FEES, ABILITY AND AUDITOR'S INDEPENDENCE REGARDING AUDIT QUALITY

Theresia Citra Siboro[1], Herman Ruslim[2]
[1]Pendidikan Profesi Akuntan, Universitas Tarumanagara Jakarta
E-mail: theresia.126222053@stu.untar.ac.id
[2] Pendidikan Profesi Akuntan, Universitas Tarumanagara Jakarta
E-mail: hermanr@fe.untar.ac.id

Abstract

Prevalent global economic competition has become increasingly fierce, both in business sectors and service industries such as Public Accountant Firm (KAP). With the growth of businesses that are listed on the Indonesia Stock Market, there is a rising demand for high-quality audit reports. Therefore, auditors must continually enhance the quality of their audits. This research looks into the effects of audit tenure, audit fees, ability, as well as auditor's independence regarding audit quality. Primary data for this study were obtained through the distribution of questionnaires via Google Forms to the auditors in Public Accountant Firm (KAP) in the DKI Jakarta region. The research employed 45 sample size for purposive sampling. It made use of multiple linear regression in the analysis to examine information, and outcomes showed the proficiency variable significantly affects audit quality. However, audit tenure, audit fees, and auditor independence do not significantly affect audit quality.

Keywords : *Audit Tenure, Fees, Ability, Independence.*

1. INTRODUCTION

The global economic competition is becoming increasingly fierce, both in business and service sectors such as Public Accounting Firms (KAP). With the growth of publicly traded companies, there is an increasing demand for high-quality audit reports. Therefore, auditors must continually enhance the quality of their audits. The quality of audits is beneficial when evaluating the dependability of a business's financial statements, reducing potential for inaccuracies and the consequences of unreliable information in financial reports used by various parties, especially investors in the company. The public accounting profession is expected to provide an evaluation of the Public Accountant Professional Standards (KAP) and maintain a high level of audit quality.

Until now, several financial cases have been uncovered, such as those in Indonesia, where incidents have drawn attention due to the low quality of audits. One notable case involves PT Garuda Indonesia (GIAA), where errors were found in GIAA's financial reports. The audit report by the public accountant (AP) on GIAA faced sanctions from the Ministry of Finance. There are indications that GIAA may have intentionally involved an AP with inadequate capabilities. As a result, potential fictitious entries in financial reports, not discovered during audit procedures, can significantly harm investors. Additionally, there is a case involving one of the "Big 4" Public Accounting Firms in Indonesia, Ernst & Young (EY), in 2018. In this case, EY was considered ineffective in detecting fraudulent activities in the financial statements of Bank KB Bukopin, facing a drastic increase in income due to fictitious credit assets.

Another example in 2023 is Crowe Indonesia facing fines imposed by OJK through a Decision on the Cancellation of Registration Deed in 2023. This sanction is a consequence of their involvement in the default case of Wanaarta. Various government cases have also occurred in Indonesia. According to research titled "Enhancing the Role of the Audit Board of the Republic of Indonesia in Fraud Detection" by Indra, Jamaludin Iskak, and Akhsanul Khaq (2022), when it comes to overseeing state finances, auditors need to understand and be able to recognize different types of fraud, especially when purchasing goods and services, land procurement, management of cash advances, employee costs, and travel expenses. Moreover, this is useful for government agencies as caution in overseeing and being accountable for local and state budgets to minimize the occurrence of fraud i.

From these cases, it can be classified as a serious violation because of its potential significant impact (www.pppk.kemenkeu.go.id). There are indications of assertive manipulation in the audited financial reports. Therefore, the quality of the audit results can be questioned. In this study, external factors such as audit tenure, audit fees, auditor's ability, and independence are used to examine their impact on audit quality. The study conducted by Galih Chandra Kirana and M. Arif Assafiq (2021) explains that audit fees and audit tenure have an effect on audit quality. Meanwhile, according to Ahmad Fauzi, et.al. (2023), independence and ability have a positive impact on audit quality.

Since there are various problems in this research, it is necessary to define the boundaries of the problem in order to focus the investigation. This study's scope is restricted to specific aspects that are considered to have a significant impact on audit quality, such as audit duration, audit fees, auditor skills, and independence. The research question is analyzed to understand whether the effects of audit duration, audit cost, auditor skills, and independence influence audit quality. The scope of this investigation concerns KAP located in DKI Jakarta. The purpose of the above researchis to determine the impingement of audit tenure, audit fees, ability, and independence regardingaudit quality. Therefore, this study can provide the reader with valuable information to guide future research on audit quality and when selecting accounting firms to perform financial statement audits and provide quality audit services.

2. METHODS

2.1 Metode Agency Theory

According to Sukrisno Agoes (2017), auditing is a critical and systematic examinationcarried out independently on the statement of finances that a company's management has prepared, as well as the accounting records and other supporting evidence. The objective is to offer a judgment regarding the fairness of the financial statements of the business.

2.2 Audit Tenure

Audit tenure refers to the continuous period during which an auditor has been performing audit duties for a company. According to POJK 9/2023, the following conclusions can be drawn: the use of audit services provided by public accountants for yearly historical financial data is limited to 7 (seven) cumulative years. AP acts as an engagement partner, with a cooling-off period of 5 (five) consecutive reporting years; AP acts as the responsible party for the review of the partnership's quality control, with a 3 (three) consecutive reporting year cooling-off period; and other audit engagement partners have a cooling-off period of 2 (two) consecutive reporting years.

2.3 Audit Fee

Audit fees are compensation in cash, products, or other items supplied to or obtained from a client or other party in exchange for to obtain an order from the customer or other party (Sukrisno Agoes, 2017).

2.4 Ability

Ability includes an individual's expertise in a particular discipline, whether unusual or general. According to SPAP Section 210, audits must be carried out by one or more people who possess the necessary technical training and expertise. This first general standard asserts that, despite someone may have skills in various fields, including business and finance, they cannot meet the requirements of these audit standards without sufficient education and expertise in the field of auditing.

2.5 Independence

Section 200 of the Audit Standards (SA) regulates the overall responsibility of independent auditors when conducting audits of financial statements based on Audit Standards. Increasing users' confidence in financial statements is the aim of an audit. This is achieved through the auditor's statement of view on whether the financial statements comply with the relevant financial reporting framework in all material aspects.

2.6 Audit Quality

According to Arens (2015), in order to ascertain and report the level of conformity between the information and predetermined criteria, audit quality entails gathering and assessing evidence about the information. Audits must be carried out by qualified, impartial parties. Audit quality also includes information related to deficiencies in internal controls and the level of compliance with applicable regulations, responses from responsible parties, preserving information confidentiality, refraining from disclosure, sharing the investigation report, and putting into practice of further steps following auditor references equivalent to active legal provisions.

2.7 Method Of Examination

Statistical model for multiple linear regression:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \mathrm{e}$$

Where: Y : Audit quality, a : Constant, X1 : Audit Tenure, X2 : Audit Fee, X3 : Ability, X4 : Independence, β : Regression coefficients, e : Error term.

2.8 ANALYSIS METHOD

Research Design

The research method utilizes direct sources of information, namely primary data. The primary information utilized in this study are obtained through distribution of questionnaires to auditors operating in Public Accounting Firms (KAP). The questionnaire distribution process is carried out directly to accountants working in KAP in the DKI Jakarta region in 2023, with the aim of identifying the effects of audit tenure, audit fees, auditor ability, and independence on audit quality. Documentation processes are then conducted by collecting, verifying, and examining KAP documents. Document sources include data related to KAP records, auditors, clients, and business processes, obtained from both internal KAP sources and online sources. The process of gathering, going over, and reading documents, books, articles, and other reference materials is known as the literature review data collection method.

2.9 Population and Sample

The target population identified for the questionnaire distribution is auditors working in accounting offices in the DKI Jakarta region. The main focus of this study are the 224 active KAP operating in DKI Jakarta region, as recorded in ojk.go.id data as of November 1, 2023. A total of 45 samples were selected for further analysis.

3 RESULTS AND DISCUSSION

Table 1. KAP Research Sample Data

No.	Explanation	Total KAP	Total Responden
1	KAP in West Jakarta	2	2
2	KAP in Central Jakarta	6	14
3	KAP in South Jakarta	13	27
4	KAP in East Jakarta	1	1
5	KAP in North Jakarta	1	1
Total			**45**

Source: Information processed by the researcher (2023)

It is concluded that the questionnaire published through Google Forms successfully obtained participation from 45 respondents, with the overall Knowledge, Attitude, and Practice (KAP) reaching 176, according to data from ojk.go.id.

3.1.Descriptive statistics

Table 2. Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Audit *Tenure*	45	20,00	30,00	25,0889	2,56570
Audit fees	45	10,00	25,00	20,7778	3,62998
Ability	45	32,00	45,00	40,4667	3,81742
Independence	45	24,00	45,00	39,1111	4,86743
Audit quality	45	28,00	40,00	35,2222	3,48952
Valid N (listwise)	45				

Source: Information processed by the researcher (2023)

The number of respondent answers ranges from 20 to 30, with a mean of 25.0889 as well as a standard deviation of about 2.56570. The audit fee has response values ranging from 10 to 25, with an average response about 20.7778 and a standard deviation of approximately 3.62998. For ability, the response range is between 32 and 45, with an average of about 40.4667 and a standard deviation of around 3.81742. Independence has response values ranging from 24 to 45, with respondents' average response around 39.1111 and a standard deviation of about 4.86743. Regarding audit quality, response values range from 28 to 40, with respondents' average response around 35.2222 and a standard deviation of approximately 3.48952.

3.2.Hypothesis Testing

t-Test (Partial)

Table 3. Partial t-Test Results

***Coefficients**[a]*								
Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*	*Collinearity Statistics*	
		B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
1	*(Constant)*	5.091	4.522		1.126	.267		
	Audit *Tenure*	.251	.191	.185	1.314	.196	.580	1.725
	Audit fees	-.084	.132	-.088	-.641	.525	.609	1.643
	Kemampuan	.458	.123	.501	3.725	.001	.633	1.581
	Independensi	.180	.095	.251	1.908	.064	.658	1.519
a. Dependent Variable: Kualitas audit								

Source: Information processed by the researcher (2023)

There is one variable, ability, that has an important impact on the audit quality, yielding an ability t-value of 3.725 > 2.021. Therefore, the t-value for the ability variable is more than the 2.021 critical t-value, which means the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted. Additionally, significance value 0.001 < 0.05 indicates that the calculated significance value is smaller than the critical significance value, suggesting that ability has a positive and significant effect. Ability has an impact on audit quality; better audit outcomes are associated with higher ability.

3.3.F-Test (Simultaneous)

Table 4. F-Test (Simultaneous)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	290.534	4	72.634	11.847	.000[b]
	Residual	245.244	40	6.131		
	Total	535.778	44			
a. Dependent Variable: Audit Quality						
b. Predictors: (Constant), Independence, Audit Tenure, Ability, Audit Fee						

Source: Information processed by the researcher (2023)

In conclusion, the critical F-value is 2.839 at a significance level of 5% (0.05). With df(1) of 4 and df(2) of 40, the calculated F-value of 11.847 > the critical F-value of 2.839, indicating the rejection of the null hypothesis (Ho). This suggests that audit tenure, audit fee, ability, and independence have a substantial impact on audit quality when combined, with a significance level of 0.000 < 0.05.

3.4.Data Analysis Test

Coefficient of Determination (R^2)

Table 5. Coefficient of Determination (R^2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.736[a]	.542	.496	2.47610	1.758
a. Predictors: (Constant), Independence, Audit Tenure, Ability, Audit Fee					
b. Dependent Variable: Audit Quality					

Source: Information processed by the researcher (2023)

It is concluded that the coefficient determination (R-Square): 0.542. This indicates that independence, ability, and audit fee collectively have an impact of 54.2% on audit quality, while the remaining 45.8% is explained by factors or variables not included in this study. Independence collectively has a significant effect on audit quality, with a significance level of 0.000 < 0.05.

3.5.Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis

Coefficients[a]								
Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*	*Collinearity Statistics*	
		B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
1	*(Constant)*	5.091	4.522		1.126	.267		
	Audit *Tenure*	.251	.191	.185	1.314	.196	.580	1.725
	Audit fees	-.084	.132	-.088	-.641	.525	.609	1.643
	Ability	.458	.123	.501	3.725	.001	.633	1.581
	Independence	.180	.095	.251	1.908	.064	.658	1.519
a. Dependent Variable: Audit Quality								

Source: Information processed by the researcher (2023)

If audit tenure, audit fees, ability, and independence have values of 0 or constants, then the dependent variable audit quality is 5.091, which is the constant value. The regression coefficient value for audit tenure is positive, at 0.251. This means that an increase of one unit in audit tenure will lead to an increase in audit quality by 0.251. The regression coefficient for audit fee is positive, but its value is -0.084. This indicates that a decrease of one unit in audit fee will result in a decrease in audit quality by -0.084. The regression coefficient for ability is positive, with a value of 0.458. This implies that an increase of one unit in ability will contribute to an increase in audit quality by 0.458. The regression coefficient for the independence variable is positive, at 0.180. Therefore, if independence increases by one unit, audit quality will increase by 0.180.

4. CONCLUSION

The results of conducted research aim to evaluate the relationship between independent variables such as audit tenure, audit fees, ability, and independence with the dependent variable, namely audit quality. Participants in the study are auditors working for KAP in DKI Jakarta region. From the testing using SPSS software, it was found that audit tenure has a negative and non-significant relationship with audit quality. As a result, the first hypothesis can be accepted. This indicates that the duration of audit work cannot be considered a determining factor in assessing audit quality. Conversely, though audit fees have a negative and non-significant relationship with audit quality, so the second hypothesis must be rejected. The amount of audit fees cannot be an indicator that projects audit quality, while the level of ability positively and significantly influences audit quality. Therefore, it is possible to accept the third hypothesis, which states that the ability of the auditor has an impact on audit quality and that the better the audit findings, the higher the ability. The fourth hypothesis, however, has to be disproved as auditor independence does not significantly and negatively affect the quality of audits. This indicates that auditor independence does not affect audit quality because independence is considered a fundamental aspect that an auditor must possess before starting work agreements.

Recommendations for auditors and KAP are to achieve optimal audit results, auditors, and Public Accounting Firms (KAP) need to improve their performance quality. This can be achieved through the enhancement of abilities as regulated in the Audit Standards (SA). Thus, the level of client and investor confidence in auditors and KAP can be significantly increased. As for future researchers, it is suggested to consider the use of additional variables not explored in this study, such as audit tenure, audit fees, auditor ability, and independence. It is desired that future researchers can increase the number of respondents to achieve more comprehensive and in-depth results.

5. ACKNOWLEDGMENT

Praise God that the author was blessed and succeeded in completing this study given to him. Special appreciation is conveyed to Mr. Herman Ruslim, as the supervising lecturer, who has provided guidance with patience and meaningful motivation for the author throughout the research process. The author also wants to express gratitude to the family for their continuous support and encouragement, as well as friends who have shown attention and encouragement throughout this journey.

REFERENCES

Agoes, Sukrisno. (2017). Auditing (Pemeriksaan Akuntan) Oleh Akuntan Publik, Edisi Kelia; Lembaga Penerbit, Jakarta.

Indra, Jamaludin Iskak, serta Akhsanul Khaq. (2022). Enhancing the Role of the Audit Board of the Republic of Indonesia in Fraud Detection. Jurnal Tatakelola dan Akuntabilitas Keuangan Negara, Volume 8, Number 2, 2022:131-143.

https://www.pppk.kemenkeu.go.id

Galih Chandra Kirana dan M. arif Assafiq. (2021). Efek Audit fees, Ukuran Perusahaan, Audit Tenure Terhadap Kualitas audit (Studi Empiris Pada Perusahaan Manufaktur Yang Terdapat Di Bursa Efek Indonesia Periode Tahun 2014 – 2018). Jurnal Ilmiah Akuntansi dan Ekonomi. Universitas Satya Negara Indonesia. Jurnal Ilmiah Akuntansi dan Ekonomi Volume. 6 Nomor. 1, Februari 2021. Hal.117-118.

Peraturan OJK 9 Tahun 2023 - Penggunaan Jasa AP dan KAP dalam Kegiatan Jasa Keuangan.

Standar Audit (SA) Seksi 210 tentang Persetujuan atas Ketentuan Perikatan Audit.

Standar Audit (SA) Seksi 200 tentang Tujuan Keseluruhan Auditor Independen dan Pelaksanaan Audit berdasarkan Standar Audit.

Arens, Alvin A., Randal J. Elder., Mark S. Beasley. (2015). Auditing Dan Jasa Assurance Pendekatan Terintegrasi Edisi Keduabelas. Jilid I. Jakarta : Erlangga.

Ahmad Fauzi, Maidani, M. Fadhli Nursal, Farhan Saputra. (2023). Efek Akuntabilitas, Independensi serta Kemampuan Auditor terhadap Kualitas audit (Studi Kasus pada Kantor Akuntan Publik di Wilayah Kota Bekasi). Jurnal Manajemen dan Pemasaran Digital (JMPD). Vol. 1, No. 3, Juli 2023.