Factors Affecting Audit Quality: Empirical Study on Public Accountants in Malang

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Abstract : This research aims to examine education level influence, competency, motivation, fee, professionality, and audit experience on audit quality. The common problem in this research is about the users of finances report base their decision on the result of audit finance report, with the result that the information inside finance report has to be free from wrong material displayed and not to mislead. The variables in this research consist of education level (X1), competency (X2), motivation (X3), fee (X4), professionality (X5), audit experience (X6), and audit quality (Y). This research takes population on auditor from public accountant office—*Kantor Akuntan Publik (KAP),* in Malang city which consists of 8 *KAP*. From its population mentioned above, only 6 *KAP* are willing to fill the questionnaire. The spread-questionnaire is amount 40 questionnaires and returned was 39 questionnaire. This research analyzes data using doubled linear regression method by SPSS application (Statistical Product and Service Solution) version 23.The result of this research shows that the influence education level, competency, motivation, fee, professionality, and audit experience simultaneously influence audit quality. Whereas, partially, the result points out that (1) education of level influence on audit quality, (2) competency indicates on audit quality, (3) fee are also the point influencing audit quality, (4) motivation does not influence in audit quality, (5) professionality does not influence on audit quality, and (6) audit experience is not the point on influencing the audit quality.

1 INTRODUCTION

The profession of public accountant is a public trust profession, from the public accounting profession the public expects a free and impartial assessment of the information presented by company management in financial statements, where the public accounting profession is responsible for raising the level of reliability of the company's financial statements, so that the public obtains financial information reliable as a basis for decision making (Mulyadi, 2014).

Every profession is always associated with the quality of services it produces, including public accountants. Audit quality is defined as a joint probability that the auditor will find violations that occur in the client's accounting system and report it in audited financial statements. Based on the Standard Profesional Akuntan Publik (SPAP), audits carried out by these auditors can be quality if they meet the requirements of auditing standards. Quality refers to standards relating to criteria or measures of quality of implementation (Febrianto, 2009).

The users of financial statements base their decisions on financial statements of audit results than that the information contained in the financial statements should be free from material misstatement and not misleading. Some cases of audit failures or financial scandals, both outside and inside the country are still in the public spotlight, ranging from the Enron, WorldCom, Tyco cases and so on in the United States, to several domestic cases such as indications of gross violations by 10 KAP when auditing liquidated banks in 1998, leading to action taken by Ikatan Akuntan Indonesia (IAI) and other cases which raised many questions about competence and professionalism on audit quality by public accountants (Septriani, 2012).

One example of a case of audit failure that occurred in Indonesia was the error in recording PT. Kimia Farma Tbk in 2001. The Public Accountant Office (KAP) Hans Tuanakotta & Mustofa (HTM)

was allegedly involved in the inflation action. Indeed, recently, Kimia Farma and HTM corrected the financial statements, they reasoned that there had been a recording error. A reason that violates the common sense of society because it is known that KAP Hans Tuanakotta & Mustofa are experienced KAP and enter into the big four. Based on BAPEPAM's investigation, it was stated that the KAP that had audited PT. Kimia Farma Tbk has followed applicable audit standards but failed to detect fraud (Simbolon, 2002).

Phenomena that occur both from within and outside the country, as well as the existence of similar studies with different variables and locations above make the writer interested in conducting research on "The Influence of Level of Education, Competence, Motivation, Fee, Professionalism and Audit Experience on Audit Quality" study empirical at Kantor Akuntan Publik (KAP) in Malang.

2 LITERATURE REVIEW

2.1 Level of Education

The level of formal education is one very important factor in supporting the competence of an auditor in carrying out his duties. By having a good formal education, can improve human resources and will affect the audit results (Jurnaedi, 2014).

2.2 Competence

Auditor competence is a qualification required by the auditor to carry out audits correctly and in conducting audits, an auditor must have a good personal quality, adequate knowledge, and special expertise in the field (Rai, 2008).

2.3 Motivation

Suwandi (2005) argues that in the context of the organization, motivation is the integration of organizational needs with personal needs. This will prevent the occurrence of tensions/conflicts so that it will lead to the achievement of effective organizational goals.

2.4 Fee

Audit fees as the number of costs dependent, among others, the risk of assignment, the complexity of services provided, the level of expertise needed to carry out these services, the cost structure of the

KAP concerned and other professional considerations (Agoes, 2012).

2.5 Professionalism

According to the Big Indonesian Dictionary (2005), professionalism is the quality, quality, and behavior that are characteristic of a profession or professional person. In conducting audits and preparing audit reports, the examiner must use his professional skills carefully and carefully as stated in the first general standard in the Standard Profesional Akuntan Publik (SPAP) established by the Indonesian Institute of Accountants (Jusup, 2014).

2.6 Audit Experience

Experienced auditors are auditors who have a better understanding. They are also better able to provide reasonable explanations for errors in financial statements and can classify errors based on audit objectives and the structure of the underlying accounting system (Agoes, 2012).

2.7 Audit Quality

Himawan and Emarila (2010) argue that audit quality is a systematic system of quality inspection processes carried out by internal or external quality auditors or audit teams. From the definition of audit quality above, it can be concluded that an auditor is required to give his opinion about the fairness of financial statements made by management in the form of quality audit reports by maintaining various audit quality attributes.

2.8 Islamic Theory

The Islamic explanation of the audit is based on the Al-Quran letter Ash-Shu'ra: 181-184:

أَوْفُوا الْكَيْلَ وَلَا تَكُونُوا مِنَ الْمُخْسِرِينَ (181) وَزِنُوا بِالْقِسْطَاسِ الْمُسْتَقِيمِ (182) وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تَعْثَوْا فِي الْأَرْضِ مُفْسِدِينَ (183) وَاتَّقُوا الَّذِي خَلَقَكُمْ وَالْجِبِلَّةَ الْأَوَّلِينَ (184)

Meaning: Give full measure, and be not of those who give less (than the due). And weigh with the true balance. Wrong not mankind in their goods, and do not evil, making mischief, in the earth. And keep your duty unto Him Who created you and the generations of the men of old (Ash-Shu'ra: 181-184).

3 METHODS

This type of research is explanative quantitative research. Quantitative research is a method to test certain theories by examining the relationships between variables. This variable can be measured so that data consisting of numbers can be analyzed based on statistical procedures (Noor, 2010). This research was carried out at the Public Accountant Office (KAP) in Malang with the aim of making it easier to get information. This study uses the Simple Random Sampling technique. The type of data used in this study is primary data. In this study, the authors used data collection techniques in the form of questionnaires. The analysis technique used in this study is descriptive statistics, quality tests, classical assumption tests, and hypothesis testing.

4 RESULTS AND DISCUSSION

4.1 Validity Test

The results of the question about the education level variable to the respondent showed a correlation value of 745 for the first question, the correlation value of 605 for the second question, the correlation value of 880 for the third question. The significance for each question is 000 with valid results. The results of the question about the competency variable to the respondent showed a correlation value of 874 for the first question, 911 for the second question, 880 for the third question, 833 for the fourth question. The significance for each question is 000 with valid results. The result of the question about the motivation variable to the respondent shows a correlation value of 822 for the first question, the correlation value of 775 for the second question, the correlation value of 699 for the third question, the correlation value of 785 for the fourth question. The significance for each question is 000 with valid results. The result of the question about the fee variable to the respondent shows the correlation value 725 for the first question, the correlation value 688 for the third question, the correlation value 862 for the fourth question. The significance for each question is 000 with valid results. The results of the questions about the professionalism variable to the respondents showed a correlation value of 625 for the first question, the correlation value of 784 for the second question, the correlation value 538 for the third question, the correlation value 538 for the fourth question. The

significance for each question is 000 with valid results. The result of the question about the audit experience variable to the respondent shows the correlation value 787 for the first question, the correlation value 882 for the second question, the correlation value 879 for the third question, the correlation value 459 for the fourth question. The significance for each question is 000 with valid results. The results of the questions about the audit quality variable to the respondents showed a correlation value of 674 for the first question, 754 for the second question, 599 for the third question, the correlation value 664 for the fifth question, the correlation value 523 for the sixth question. The significance for each question is 000 with valid results.

4.2 Reliability Test

Table 1: Reliability Test.

	Cronbach's Alpha	Keterangan
Level of Education	667	Reliable
Competence	895	Reliable
Motivation	729	Reliable
Fee	698	Reliable
Professionalism	472	Unreliable
Audit Experience	748	Reliable
Audit Quality	896	Reliable

(Source: Primary Data Processed, 2017)

4.3 Normality Test

The results of normality test in the table above obtained K-S value is 0.716 and a significant level is 0.685, which means the significance of> 0.05. This gives an illustration that the distribution of data does not show deviations from the normal curve, which means that the distribution of data has met the assumption of normality.

4.4 Multicolinearity Test

Table 2: Multicolinearity Test.

Model	Collienarity Statistics	
	Tolerance	VIF
Level of Education	.636	1.571
Competence	.838	1.193
Motivation	.802	1.247
Fee	.593	1.686
Professionalism	.829	1.207

Audit Experience	.911	1.097

(Source: Primary Data Processed, 2017)

Based on the table above it can be seen that tolerance number of independent variable has a value greater than 0.1 which means that there is no correlation between independent variables.

4.5 Heteroscedasticity Test

The glesjer test results show that the significance probability of the education level variable is 0.016 (smaller than 5%) which means that the regression model loosens heteroscedasticity. The significance probability of the competency variable is 0.498 (greater than 5%) which means that the regression model does not preclude heteroscedasticity. The significance probability of the motivation variable is 0.855 (greater than 5%) which means that the regression model does not preclude heteroscedasticity. The significance probability of the variable fee is 0.930 (greater than 5%) which means that the regression model does not preclude heteroscedasticity. The probability of significance of the professionalism variable is 0.097 (greater than 5%) which means that the regression model does not preclude heteroscedasticity. The significance probability of the audit experience variable is 0.084 (greater than 5%) which means that the regression model does not preclude heteroscedasticity.

4.6 Autocorrelation Test

Based on the results of the above analysis shows that Durbin Watson obtained 1.333 with a sample of 39, the number of variables 6, then formulated $dl < dw < 4\text{-}du$ ie $1.161 < 1.333 < 1.858$. The conclusion is that du approaches number 2, so there is no correlation in the regression model.

4.7 Multiple Regression Test

To facilitate reading the results of multiple regression tests, the regression model equation will be used. The following is a description of the results of multiple regression testing and output of the test table using the help of SPSS version 16 in the form of output model summary, ANOVA (F test), and coefficient (t test).

$$Y = 16{,}150 + 1{,}906 + 0{,}998 + 0{,}638 + 1{,}592 + 0{,}934 + 0{,}693 + e \quad (1)$$

From the above equation, it can be interpreted as follows:

Regression model listed constant value of 16,150 can be interpreted if the variables outside the model will still improve audit quality by 16,150 units. Variable X1 is the level of education with unstandardized coefisients (B) value of 1.906 which means that the education level has a positive effect on audit quality. This shows that when the audit quality has increased by a unit, then the level of education will also experience an increase of 1,906 units. The X2 variable is the competence with unstandardized coefisients (B) value of 0.998 which means that competence has a positive effect on audit quality. This shows that when audit quality has increased by a unit, then competence will also increase by 0.998 units. X3 variable is motivation with unstandardized coefisients (B) value of 0.638 which means that motivation does not have a positive effect on audit quality. The variable X4 is the fee with unstandardized coefisients (B) value of 1.592 which means that the fee has a positive effect on audit quality. This shows that when the audit quality has increased by a unit, the fee will also increase by 1,592 units. X5 variable is professionalism with unstandardized coefisients (B) value of 0.934 which means that professionalism does not have a positive effect on audit quality. X6 variable is audit experience with unstandardized coefisients (B) value of 0.693 which means that the audit experience has no positive effect on audit quality.

4.8 Simultan Test (F)

More precisely, the Fcount value is compared with Ftable where if Fcount > Ftable, the independent variables simultaneously have a significant effect on the dependent variable. At the level of $\alpha = 0.05$ with the numerator's freedom degree / df1 (k) = 6 (the number of independent variables) and the denominator's degree of freedom / df2 (n-k-1) = 32, the Ftable value is 2.40. Thus, the value of Fcount 30.592 is greater than the value of Ftable 2.40. Based on the results of these calculations can be interpreted that the variables level education, competence, motivation, fee, professionalism and audit experience together influence variables audit quality.

4.9 Partial Test (t)

Based on the table above, the results of the t test on education level state that the level of education

affects audit quality. This shows a significant value of education level of 0,000 which means smaller than 0.05 so that hypothesis 1 is accepted. The results of the t test on competence state that competence affects audit quality. This shows a significant value of competence of 0.010 which means that it is smaller than 0.05 so hypothesis 2 is accepted. The results of the t test on motivation state that motivation does not affect audit quality. This shows a significant value of motivation of 0.063 which means greater than 0.05 so that hypothesis 3 is rejected. The results of the t test in fee state that the fee influences audit quality. This shows a significant value of a fee of 0,000 which means smaller than 0.05 so that hypothesis 4 is accepted. The results of the t test in professionalism states that professionalism does not affect audit quality. This shows a significant value of professionalism of 0.054 which means greater than 0.05 so that hypothesis 5 is rejected. The results of the t test on audit experience state that the audit experience does not affect audit quality. This shows the significant value of audit experience of 0.091 which means that it is greater than 0.05 so hypothesis 6 is rejected.

5 CONCLUSION

5.1 Effect of Level of Education on Audit Quality

The first hypothesis states that the level of education has a significant effect on audit quality. Statistical test results show that the value of the variable regression coefficient of education level is 1,906. This value is significant at the 0.05 level with a p value of 0,000. This result is supported by the results of the calculation of t count $5.849 >$ t table 2.037. This shows that the level of education has a significant effect on audit quality, which means that hypothesis 1.1 is accepted.

5.2 Effect of Competence on Audit Quality

The second hypothesis states that competence has a significant effect on audit quality. Statistical test results show that the regression coefficient value of the competency variable is 0.998. This value is significant at the 0.05 significance level with p value

0.010. This result is supported by the results of calculating the value of t count $2.730 >$ t table 2.037. This shows that competency has a significant effect on audit quality which means that hypothesis 1.2 is accepted.

5.3 Effect of Motivation on Audit Quality

The third hypothesis states that motivation has a significant effect on audit quality. Statistical test results show that the regression coefficient value of the motivation variable is 0.638. This value is significant at the 0.05 level with a p value of 0.063. This result is supported by the calculation of the calculated t value $1,928 <$ t table 2,037. This shows that motivation does not significantly influence audit quality, which means that hypothesis 1.3 is rejected.

5.4 Effect of Fee on Audit Quality

The fourth hypothesis states that fees have a significant effect on audit quality. Statistical test results show that the regression coefficient value of the variable fee is 1.592. This value is significant at the 0.05 level with a p value of 0,000. This result is supported by the results of the calculation of the value of t count $4.255 >$ t table 2.037. This shows that the fee has a significant effect on audit quality, which means that hypothesis 1.4 is accepted.

5.5 Effect of Professionalism on Audit Quality

The fifth hypothesis states that professionalism has a significant effect on audit quality. Statistical test results show that the variable regression coefficient of professionalism is 0.934. This value is significant at the 0.05 significance level with p value 0.054. This result is supported by the results of the calculation of the value of t count $1.996 <$ t table 2.037. This shows that professionalism has no significant effect on audit quality which means hypothesis 1.5 is rejected.

5.6 Effect of Audit Experience on Audit Quality

The sixth hypothesis states that audit experience has a significant effect on audit quality. Statistical test results show that the value of the variable regression coefficient audit experience is 0.693. This value is significant at the 0.05 significance level with p value 0.091. This result is supported by the results of calculating the t count value of 1,741 < t table 2,037. This shows that the audit experience has no significant effect on audit quality, which means that hypothesis 1.6 is rejected.

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