

## THE FACTORS THAT AFFECT THE AUDIT QUALITY

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### ABSTRACT

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*This study aims to determine the effect of auditor professional skepticism and audit experience on audit quality. This study was undertaken through a survey and was grounded based on existing theories which were then developed into a research model in which the model in this study was designed to examine the effect of auditor professional skepticism and the influence of audit experience on audit quality. This research was conducted at a Public Accounting Firm located in DKI Jakarta. The sampling method used was simple random sampling and 97 samples were obtained. Data were analyzed using Partial Least Square. The results of this study indicate that professional skepticism has a significant effect on audit quality, while auditor experience has no significant effect on audit quality.*

**KEYWORDS:** *Audit Quality, Audit Professional Skepticism, Auditor Experience.*

### 1. INTRODUCTION

In carrying out its audit duties, an auditor must be guided by audit standards established by the Indonesian Institute of Certified Public Accountants, namely general standards, fieldwork standards and reporting standards. In addition to audit standards, an auditor must also comply with a professional code of ethics. Several factors that can affect the quality of audits produced by the auditor include skepticism, auditor workload, audit experience and limited time owned by the auditor to be able to complete the audit report. Professional skepticism is an attitude of lack of trust or doubt that will force individuals to be able to do a deeper evaluation of the information they receive. Individuals who have a high attitude of professional skepticism will be more cautious and not easily believe the information obtained before discovering the facts. Such prudential attitudes are attitudes that should be possessed by someone who works as an independent party, one of whom is an independent auditor who works in a public accounting firm. Auditors who have a good attitude of professional skepticism are considered more capable in carrying out auditing, so that it can produce quality audit

reports. In the study of Beasley et al., (2001) stated that one of the causes of auditor failure in detecting fraud is the low level of professional skepticism possessed by the auditor. Professional auditor skepticism has a positive effect on the quality of auditor audits (Ida Bagus & I Made, 2017). Professional skepticism will assist the auditor in critically assessing the risks faced and calculating these risks in various decisions, such as accepting or rejecting clients, choosing the appropriate audit methods and techniques, evaluating audit evidence collected and so on, Tuanakotta (2013). The quality of audit reports produced by the auditor will be influenced by the audit experience that the auditor has. Auditors with more experience will usually know more about what needs to be done in the auditing process. Specifically, experience gained through courses, training, execution of tasks, and suggestions will lead the auditor to find the right decision. Hasni (2015) in her research stated that experienced auditors are better able to detect fraud better. Butt's (1988) study states that experienced auditors will make relatively better judgments in their assignments. Auditors with more flying hours must be more experienced when compared to less experienced auditors.

Based on these problems, the problem is formulated as follows: 1) Does the auditor's professional skepticism affect audit quality? 2) Does audit experience affect audit quality?

## **2.LITERATURE REVIEW**

### ***The Audit Quality***

Audit quality can be interpreted as good or not an examination that has been carried out by the auditor. Based on auditing Professional Standards for Public Accountants auditors are said to be qualified, if they meet the provisions or auditing standards. Auditing standards include professional quality, independent auditors, judgment (judgment) used in conducting audits and preparing audit reports. Audit quality is different from the quality of financial statements. Apollo's research results (2019) states that there is no effect of audit quality on the quality of financial statements. According to Arens, Elder and Beasley (2017) audit quality is assessed through a number of standardized units of audit evidence obtained by external audits and audit failure is also stated as the failure of an independent auditor to detect a material error. Therefore the audit practitioner must understand well what makes the audit quality. All personnel on duty must maintain independence in facts and appearance, carry out all professional responsibilities with integrity, and maintain objectivity in carrying out their professional responsibilities.

### ***The Auditor Professional Skepticism***

Skepticism, derived from the word skeptic, in the Big Indonesian Dictionary (2008), In the book on accounting and auditing terms, skepticism means being skeptical about statements that are not yet strong enough to prove the basis of Islahuzzaman (2012). Whereas professional, according to the Big Indonesian Dictionary (2008) is something related to the profession, which requires special expertise to apply it. The basic attitude of skepticism is that we never know anything. People who embrace skepticism state that it is impossible for people to know something, or at least people never feel certain or sure whether they can reach certain knowledge. The underlying thing is that humans need to have evidence to know they already know something. Professional Standards for Public Accountants (2011) explain that professional skepticism is an attitude that always questions and evaluates audit evidence critically the definition of auditor professional skepticism according to Tuanakotta (2013: 321) states that, professional skepticism is the auditor's obligation to use and maintain professional skepticism, as long as the assignment period is especially alert for the possibility of fraud specifically in the audit, The definition of the word skepticism and professionalism, it can be concluded that the auditor's professional skepticism is the attitude of the auditor who always doubts and questions everything, and critically appraises audit evidence and makes audit decisions based on his auditing expertise. Skepticism does not mean not to believe, but to find evidence before you can trust a statement (Center for Quality Audit, 2010).

### ***The Auditor Experience***

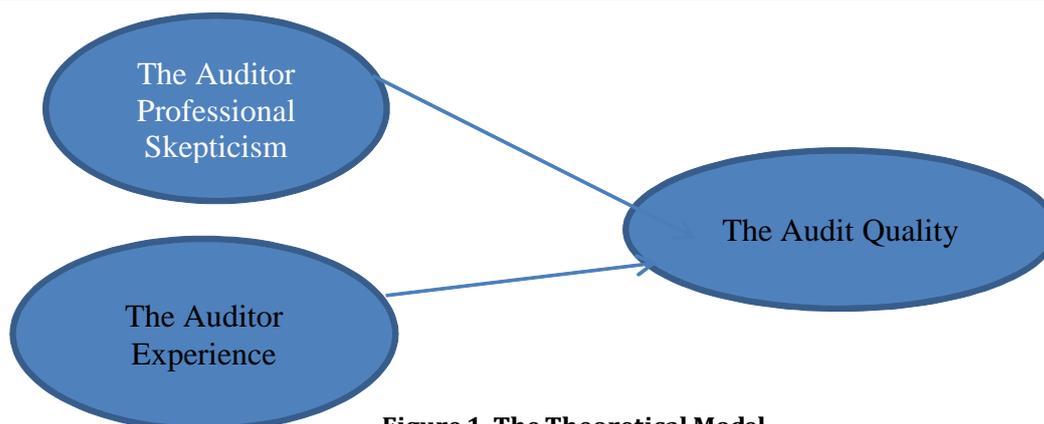
Audit experience is the auditor's experience in examining financial statements in terms of length of time, as well as the number of assignments that have been made. Auditors who have different experiences will also differ in viewing and responding to information obtained during the examination and also in providing audit conclusions on the object being examined in the form of giving opinions. According to Arens (2017), in accordance with the general standards in the Professional Standards of Public Accountants that auditors

are required to have sufficient work experience in the profession they occupy, and are required to meet technical qualifications and experience in the industry they work at. The more experience an auditor has, the more appropriate consideration of the level of materiality in a company's financial statements. In addition, the higher the level of experience of an auditor, the better the views and responses about the information contained in financial statements, because the auditor has done a lot of his work or has a lot of checking financial statements from various types of industries. In general, work experience will affect the quality of the results done. Like the work experience of an accountant will affect the quality of accounting information (Ratna & Syamsu, 2015).

### **Conceptual Framework**

Skepticism is an important thing that must be possessed by every auditor, one of the tasks of the auditor is to examine the fairness of an entity's financial statements and position itself as an independent party. There will be many audit procedures that must be carried out by the auditor, any information obtained from his client must not be taken immediately, but must also be supported by audit evidence. Professional skepticism is an attitude of lack of confidence or doubt, with an attitude of doubt that will force someone to find out the truth. So professional skepticism is very important for every auditor to have. The results of research conducted by Kadek et al (2018) show professional skepticism has a positive effect on cheating detection. An auditor with a degree of professional skepticism higher will have the ability to detect fraud in financial reporting. Research conducted by Ida and Made (2017) also states that professional skepticism has a positive effect on audit quality. In addition, the results of the research of Faisal et al (2018) concluded that auditor professional skepticism had a positive and significant effect on the accuracy of giving audit opinion. Based on these thoughts, the researcher can surmise that the greater the level of skepticism an auditor will have, the better the audit quality he produces.

The quality of the resulting audit is strongly influenced by the audit experience that the auditor has. Ida and Made (2017) state that the auditor's experience has a positive effect on audit quality. Hasni (2015) in her research stated that experienced auditors are better able to detect fraud better. Experienced auditors are auditors who are able to detect, understand and even find the cause of the emergence of such frauds, so that the quality of the resulting audit will be better than an inexperienced auditor. Specifically, experience gained through courses, training, execution of tasks, and suggestions or input will lead the auditor to find the right decision. Auditors with more experience are expected to show a higher level of professional skepticism. experience will shape one's expertise both technically and psychologically. Hasni (2015) in her research stated that experienced auditors are better able to detect fraud better. The results of the research by Faisal et al (2018) concluded that the auditor's experience had a positive and significant effect on the accuracy of the giving of audit opinion. Badjuri (2011) the results of his research are somewhat different, which states that the auditor's experience has no effect on audit quality. Based on these thoughts, the researcher can suspect that the more auditing experience of an auditor will have a positive influence and produce a good audit quality. The link between auditor professional skepticism, auditor experience and audit quality can be seen in the picture as follows:



**Figure 1. The Theoretical Model**

Based on the thought framework outlined above, the following hypotheses can be arranged:

H1: There is an effect of auditor professional skepticism on the audit quality

H2: There is an influence of auditor experience on the audit quality

### 3. METHODOLOGY

This research is exploratory (exploratory study) with a type of causal study investigation where researchers want to find the cause of one or more problems (Uma Sekaran, 2013). In this study the influence of auditor's professional skepticism and auditor experience on the audit quality will be examined.

#### 4.SAMPLING DESIGN

Determination of the number of samples in this study using the Slovin formula . as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Information:

n: Sample Size

N: Population Size

e: Percentage (%), inaccuracy tolerance due to errors in sampling

According to the data obtained from the website of the Indonesian Institute of Certified Public Accountants, there are 255 public accounting firms registered with IAPI, with the number of KAPs, the researchers determined the number of samples as follows:

$$n = \frac{255}{1 + 255(0,10)^2} = 71,83$$

The results of determining the sample calculated using the Slovin formula with an error rate of 10%, were as many as 71 samples.

### 5. STATISTICAL DESIGN

Data is processed using Partial Least Squares software which includes stages of the outer model (measurement model) to test the validity and reliability; Inner model (structural model) to see the relationship between construct, significance value and R-square of the research model. The structural model is evaluated using R-square for the dependent construct and t test as well as the significance of the coefficient of structural path parameters.

### 6. GEOGRAPHICAL AREA

The population in this study is the Public Accounting Firm located in the DKI Jakarta area. External auditors were used as respondents in this study.

## 7. RESULTS

### *Description of Research Object*

Based on the table 1, it can be seen that the variable of auditor professional skepticism has an average score of 4.44. It can be interpreted that the auditor professional skepticism in the DKI Jakarta Regional Public Accounting Firm is already very high. The auditor experience variable consists of two research dimensions with an average score of 4.39 as in the table 2. This means that the experience of auditors in the DKI Jakarta Regional Public Accounting Firm has been very good. The audit quality variable has an average score of 4.35, it can be interpreted that in the DKI Jakarta Regional Public Accounting Firm has a good audit quality.

### *Test of Validity and Reliability*

The figure 2 are the results of the output loading factor the construct of the influence of auditor professional skepticism and audit experience on the audit quality on Smart PLS. Based on the output in the path diagram it appears that the loading factor meets convergent validity, which is the indicator value above 0.5. All loading factors are significant at the 5% level. The results of the reliability output it appears that the auditor professional skepticism, auditor experience and audit quality have Cronbach's Alpha above 0.6 and Composite Reliability above 0.7 means that the indicators used in each dimension have sufficient reliability good or able to measure the construct.

### *Evaluation of goodness of fit structural model (inner model).*

R2 value for the audit quality variable of 0.777 means that the audit quality variable is explained by the auditor professional skepticism variable and the auditor experience 77.7% while the remaining 22.3% is influenced by other variables not contained in the research model.

### *Hypothesis Test*

The hypothesis testing path diagram it appears that all dimensions on each variable have a t-statistic value greater than 1,660 so that these dimensions are able to measure each construct. The path parameter coefficient obtained from the effect of the auditor professional skepticism variable on the audit quality variable is 0.037 with a statistical value of 2.094 > 1.66 there is the effect of the auditor professional skepticism on the audit quality. The path parameter coefficient obtained from the effect of the auditor experience variable on the audit quality variable is 0.243 with a statistical value of 1.117 < 1.66. There is no effect of the auditor's experience on the audit quality.

8. DISCUSSION

Based on the results of hypothesis testing, the results show that the auditor professional skepticism has a significant effect on audit quality, the direction of influence is positive. The greater the professional skepticism of an auditor, the better the audit quality produced. This is supported by the theory that the more one can doubt knowledge or statements that the statement is wrong. So the greater the chance someone is getting and knowing the truth of such statements. So that the attitude of professional skepticism is very important to be owned by an independent professional, such as an external auditor with that attitude the auditor can be more confident about the fairness of the presentation of his client's financial statements so as to provide quality audit reports and can be accounted for. The results of the study are in accordance with research conducted by Kadek et al (2018) showing professional skepticism has a positive effect on the detection of fraud. An auditor with a higher level of professional skepticism will have the ability to detect fraud in financial reporting. Also consistent with research conducted by Ida and Made (2017) which states that professional skepticism has a positive effect on audit quality. Also in accordance with the results of research by Faisal et al (2018).

The second hypothesis test shows the results that the auditor experience did not significantly influence on the audit quality. This shows that auditors who are experienced in conducting audits are not necessarily able to improve audit quality. Auditors who have audit experience or who have no experience have no impact on audit quality. The results of this study are in line with the results of Badjuri's research (2011) which states that the auditor experience has no effect

on audit quality. However, the results of this study are not in line with the research of Ida and Made (2017) which states that the auditor experience has a positive effect on the audit quality. This research is also not in line with Hasni's (2015) research which suggests that experienced auditors are better able to detect fraud better. Not in line with the results of research by Faisal et al (2018).

9. CONCLUSION

Based on the discussion described above, it can be concluded that the following matters: Auditor Professional Skepticism has a significant effect on the audit quality. The direction of this positive influence means that the more skeptical an auditor is, the audit reports produced will be more qualified.

Auditor experience does not significantly influence on the audit quality. Auditors who are experienced in conducting audits apparently are not necessarily able to improve audit quality. Experienced and inexperienced auditors have no impact on audit quality.

10. SUGGESTION

Auditors are advised to be able to be more careful in carrying out their audit tasks, it is not easy to accept explanations from clients, and always question things that have not been proven valid. The public as users of financial statements are advised to consider choosing the right public accounting firm, having good credibility, and having a valid permit and always looking for information about the Public Accounting Firm.

11. FIGURES, TABLES AND REFERENCES

Figures

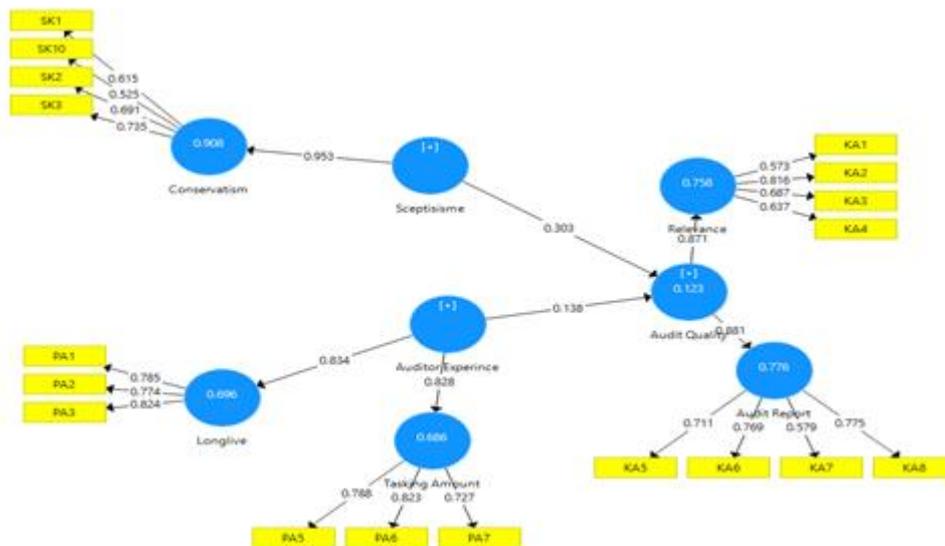


Figure 2 Diagram of Path & Loading Factor of Research Variables

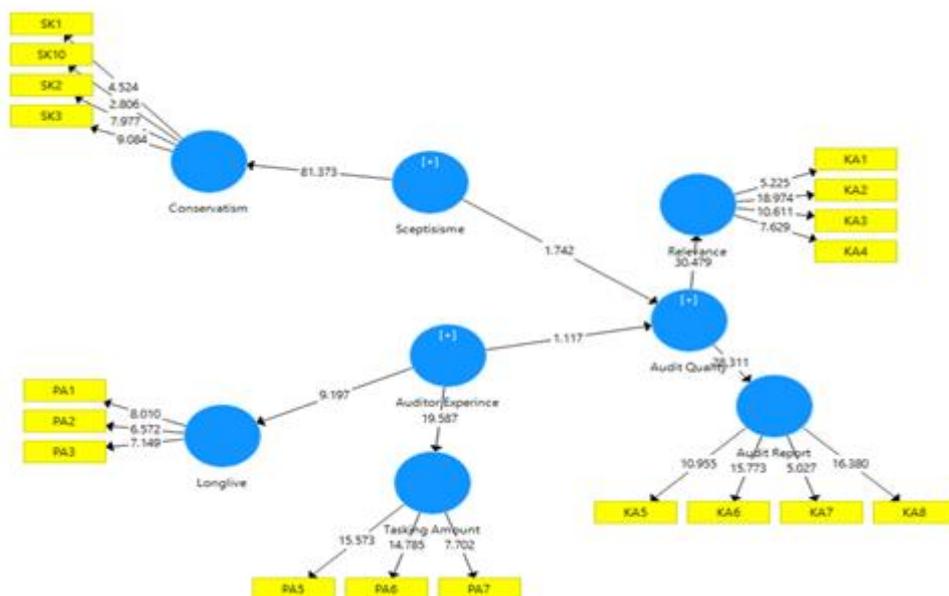


Figure 3 Hypothesis Testing Path Diagram

Tables  
Table 1

Description of the Auditor Professional Skepticism Variable

No	Dimension	Score
	The ability and attitude of prudence possessed by the auditor	4,48
	Amount	22,2
	Average value	4,44

Source: Primary data processed 2019

Table 2

Description of the Auditor Experience Variable

No	Dimension	Score
1	The length of the profession as an auditor.	4,43
2	Number of assignments	4,39
	Amount	13,17
	Average value	4,39

Source: Primary data processed 2019

Table 3

Description of the Audit Quality Variable

No	Dimension	Score
1	Compliance of Audit with Audit Standards	4,43
2	Quality of audit report communication of assignment results	4,29
	Amount	21,73
	Average value	4,35

Source: Primary data processed 2019

Table 4 Reliability Test Results

Variable & Dimension	AVE	Cronbach's Alpha	Composite Reliability	Information
Auditor Professional Skepticism (X1)	0.526	0.611	0.739	Reliable
Auditor Experience (X2).	0.547	0.716	0.801	Reliable
Kualitas Audit (Y)	0.508	0.774	0.836	Reliable

Source: Data processing with Smart PLS, 2019

**Table 5 R Square**

Variable	R Square
Audit Quality (Y)	0.777

Source: Data processing with Smart PLS, 2019

**Table 6  
Path Coefficients**

Relationship Between Variables	Parameter Coefficient	T Statistics	P Values	Information
Auditor Professional Skepticism => Audit Quality	0.313	1.742	0.037	Significantly influential
Auditor Experience => Audit Quality	0.147	1.117	0.243	No significant effect

Note: Significant at the 5% level

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