

## Determinants of Audit Quality

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**Abstract.** A public accountant has an obligation in providing good audit quality but with the case of freezing the license of the public accounting firm karena violation of SPAP, the public began to doubt the quality of the audit itself. The purpose of this study is to empirically test the quality of audits influenced by audit fees and audit quality influenced by the audit agreement period. The methods used are descriptive and verifikative. The population is 16 Public Accounting Firms in bandung area, using saturated sampling techniques or census, while the respondents are senior auditors, partners. Statistical testing uses correlation analysis, multiple regression analysis, coefficient of determination and to test the hypothesis then used t test. The results showed that the quality of audit is influenced by the audit fee, between the quality of the audit and the audit fee has a positive relationship which means that when the audit fee is large, the quality becomes better. The quality of audit is also influenced by the period of auditor's alliance and has a negative relationship where when the alliance period becomes long, the audit quality becomes poor, the quality of the audit is also influenced by other factors that are not researched such as independence, competence, professionalism and so on. Based on the results of the study the authors suggest that when accepting work from clients, the approved audit fee must be adjusted to the audit fee structure so that the quality is better and the complexity of the services provided while the contracting period with the client should be the second year of auditing the auditing team of auditors in rotation to keep the audit quality good.

**Keywords:** Audit Fees, Audit Tenure and Audit Quality

### 1. Introduction

Based on the Professional Standards of Public Accountants (SPAP) audits carried out by such auditors can be qualified if they meet the provisions or standards of auditing, auditing standards include the quality of professional qualities (professional qualities) of independent auditors, judgments used in the implementation of audits and the preparation of auditor reports. Furthermore, auditor quality is how likely it is that an auditor finds unintentional/intentional errors of the company's financial statements, as well as how likely the findings are then reported and included in the audit opinion [1]. As a public accountant an auditor must be guided by audit standards set and certified by the Indonesian Institute of Public Accountants (IAPI) such standards are called general standards, field work standards, and reporting standards. The quality of the audit results, in general standards requires an auditor to have sufficient technical expertise and training in carrying out audit procedures. Meanwhile, field work standards and reporting standards govern auditors in terms of data collection and other activities carried out during the audit and require auditors to compile a report on the audited report in its entirety. In addition to having to live these three standards an accountant must also adhere to the professional code of conduct governing the conduct of a public accountant in carrying out his duties as an auditor [2].

One of the general standards is the amount of audit fee that will be received by the auditor in performing his duties, fee audit is one of the responsibility of the auditor to his client. This fee amount sometimes keeps an auditor in a dilemma position, on the one hand the auditor must be independent in giving an opinion on the fairness of financial statements relating to the interests of many parties, but on the other hand the auditor must also be able to meet the demands desired by the client who pays a fee for his services, in order for his client to be satisfied with his work and continue to use his services in the future [3]. Such a unique position puts auditors in a dilemma situation that can affect the quality of its audits [4]. This condition is different when compared to the above countries, where the audit fee has been published so that research on audit fees is often done and published in scientific journals or other publication media [5]. Argued that independence would be lost if auditors engaged in personal relationships with clients, as this could affect their mental attitudes and opinions. Flint also revealed one of the most influential threats is the long tenure of auditors, arguing that a lengthy audit tenure could lead auditors to develop "more comfortable relationships" as well as strong loyalty or emotional relationships with their clients, which could reach a stage where auditor independence is threatened. the length of the binding period can also make an auditor more concerned with the interests of his clients compared to the importance of his propesinya [6].

Currently there is only a pseudo rotation, which is an effort from KAP to support its clients. Also revealed, the period of auditing a company has an impact on the quality of audit reports. But while many studies have suggested that the length of the alliance will affect the quality of audits [7]. Supports the theory that the longer the relationship between auditors and clients, the more qualified the audit will be. In this study, the quality of audits is linked to audit fees and auditor alliance period because these two things are considered to affect the quality of audits. With the large audit fee given by the client to the auditor is feared to decrease the independence of the auditor itself, the period of the audit alliance can also affect the auditor's independence and affect the quality of the audit [8].

## **2. Method**

The methods used in this study are descriptive and verifiative with quantitative approaches. The target population in this study is 16 Public Accounting Firms in Bandung area. Withdrawal of sampel is done using saturated sampling withdrawal technique that uses the entire population of 16 Public Accounting Offices in Bandung to be used as a sampel from the research itself. With the details of 16 KAP willing to accept the questionnaire, and 10 KAP did not receive the questionnaire on the grounds that 9 KAP was not willing to accept the questionnaire from the researcher because the auditor was out of office or on an out-of-town assignment. 1 KAP does not return the questionnaire because it has passed the return date of the questionnaire.

## **3. Results and Discussion**

### **3.1. Audit Quality is affected by Audit Fee**

The results showed that the quality of audits is significantly influenced by audit fees with positive relationships which means that if the amount of audit fees increases then the quality of audits becomes good. The amount of audit quality is influenced by almost half of the audit fee factor while the remaining half is influenced by other variables such as independence, professionalism, competence and dysfunctional behavior. This proves that the results of this study support the theory of SPAP [9] that is in negotiating about the professional services provided. Practitioners can propose the amount of professional service rewards that are deemed appropriate. The fact that the number of service rewards proposed by one practitioner is lower than that of the other practitioner is not a violation of the professional code of conduct, however, the threat to compliance with the basic principles of professional ethics may occur from the amount of proposed professional service rewards. Overall this research is also the same as the research conducted concluded that the audit fee affects the audit skin [10], which stated that the audit fee has a significant effect on the quality of the audit [11]. Similarly, [12, 13] found that there was an influence between audit fees on audit quality.

### 3.2. Analysis of Audit Alliance Period on Audit Quality

The results of the hypothesis test show that the quality of the audit is significantly affected by the period of the auditor's alliance. The relationship of the two has a negative relationship which means that if the auditor's relationship period increases, the quality of the audit becomes poor. The amount of audit quality is influenced by more than half of the factors of the auditor's alliance period while the rest is almost satanic influenced by other factors such as independence, professionalism, competence and dysfunctional behavior. This proves that this result supports the theory put forward [14]. Tenure is related to the firm's audit factor and partner audit factor, audit failure appears or occurs generally in the short tenure period on the contrary, an excerssive long tenure period will be associated with low audit quality.

This research concluded that Firm tenure affects the quality of audits [15]. Giri which in his research stated that invstor ambushed that long tenure had an impact on audit quality [16]. Variable audit alliance period negatively and significantly affects audit quality variables.

### 4. Conclusion

There are some public accountants who deliberately drop the price in order to get clients with the fee drop then the public accounting firm will reduce the costs incurred and not follow the cost structure that should be danh audit fee should be adjusted to the complexity of the services provided. There are public accounting firms that make alliances with clients more than the rules that apply that are less than 6 years in a row.

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