

DETERMINANTS OF AUDIT QUALITY IN THE PUBLIK ACCOUNTING FIRM IN SEMARANG

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ABSTRACT

This study aims to identify and analyze the factors that influence audit quality, especially audit complexity, time budget pressure, and auditor experience in an empirical study at a Public Accounting Firm in Semarang. The population of this study were all KAP auditors in Semarang as many as 60 auditors who were taken as samples by purposive sampling. SEM-PLS has been used to analyze the data in this study using SmartPLS 4.0 software. The results of this study indicate that audit complexity, time budget pressure, and auditor experience provide empirical evidence that there is a significant positive effect on audit quality..

Keywords: Audit Complexity, Time Budget Pressure, Auditor Experience, Audit Quality

ABSTRAK

Penelitian ini bertujuan untuk mengetahui dan menganalisis faktor-faktor yang mempengaruhi kualitas audit khususnya kompleksitas audit, time budget pressure, dan pengalaman auditor dalam studi empiris pada Kantor Akuntan Publik di Semarang. Populasi penelitian ini adalah seluruh auditor KAP yang ada di Semarang Sebanyak 60 auditor diambil sebagai sampel dengan purposive sampling. SEM-PLS telah digunakan untuk menganalisis data dalam penelitian ini menggunakan software SmartPLS 4.0. Hasil penelitian ini menunjukkan bahwa kompleksitas audit, tekanan anggaran waktu, dan pengalaman auditor memberikan bukti empiris adanya pengaruh positif yang signifikan terhadap kualitas audit.

Kata kunci: Kompleksitas Audit, Tekanan Anggaran Waktu, Pengalaman Auditor

Introduction

A public accounting firm is an organization that provides the assurance needed for companies to fulfil their responsibilities for financial reporting. Audit quality is one of the components in financial statements, so often, audit quality is determined by the company's financial reporting system based on economics and the underlying characteristics. According to (DeFond & Zhang, 2014), audit quality can provide good quality in financial reports by increasing credibility. Good audit quality gives a good impression of public trust, especially the users of financial statements, the government, and other parties. Whether or not the quality of the auditor's work affects the conclusion and influences the decisions of various parties in the company. Auditors must carry out their responsibilities (accountability) and professionalism in each job.

In 2016 PPPK (Financial Profession Development Center) found indications of violations of the accounting profession standards. Violations committed by two public accountants on the financial statements of PT. Sunprima Nusantara Pemfinancing (DNP Finance) for 2012 to 2016. Based on this phenomenon, it is known that the auditor has abused

public accounting services, thus affecting audit quality. Improving good audit quality by auditors can provide quality financial information and give confidence to investors that companies that want capital are not only companies with low quality (Boubaker et al., 2018). The auditor is responsible for providing information on audit quality. Audit quality can be interpreted as an opportunity for an auditor to find and report fraud in the client's accounting system. A quality audit can increase the credibility of financial reports because appropriate audit procedures can reduce the risk of error.

The audit complexity factor is an essential part of auditing because it has various problems in auditing. One factor that affects audit quality is audit complexity if the complexity of variable difficulty levels and audit tasks are increasingly complex. According to (Nasyrah Noor et al., 2019), the audit task is one of the essential roles because it is interrelated with one another, so in making decisions, it is mandatory to increase patience and thinking power in dealing with audit task problems.

The limited time budget and the unrealistic work being carried out result in the emergence of negative behaviour, thus causing low audit quality. Tight time budget pressures in audit assignments tend to affect low audit quality. Time budget pressure occurs when an auditor experiences difficulties completing audit procedures within a budgetary time limit (Asriningpuri & Gruben, 2021). Then the experience carried out by the auditor will provide satisfaction with the audit results to minimize errors in the auditor's duties. Auditor experience influences audit quality; they can find and explain audit assignment difficulties with various evidence and reasons stated (R & Frederick, 1990). Then a professional auditor must maintain quality with multiple difficulty levels to provide good audit quality. This study examined several factors that affect audit quality. The goal that the researcher will achieve is to identify the factors that influence audit quality for Public Accounting Firms in Semarang.

Agency theory explains the improvement of individual abilities and evaluates the results of decisions. However, if the auditor's memory capacity is limited because of one of the memory factors in integrating decision-making, it will reduce auditor performance by impacting audit quality. The complexity of the audit itself is an individual's perception of a task due to the limited memory capacity of a problem that the decision maker owns. The auditor faces a dilemma because of the various interests of an increasingly complex audit task. Audit complexity is based on individual perceptions of the difficulty of an audit assignment; some auditors view the task as high and challenging, while others view the audit task as more accessible (Susanto et al., 2020). So the more complex the auditor's job is because the high difficulty factor will affect low audit quality. According to Harun & Hoesada (2020), the complexity of the jobs in the audit received by the auditor in a short time and the public accounting firm's obligation to check the fairness of the audited financial statements, the condition is caused by the auditor having a competent professional attitude so that he does not feel hampered. The research results of Hafizah et al (2022) conclude that audit complexity has a positive affects on audit quality.

H₁: Audit complexity has an effect on audit quality.

Based on agency theory, there is Monitoring Cost (monitoring costs) observing and controlling actions to reduce significant risks, meaning that when the auditor faces time

constraints, he will maximize the time limit given so as not to reduce the quality of the resulting audit. Time allocation for auditing work must be allocated in real terms. Time allocation that is too long can lead to errors in preparing audit reports and motivation within the auditor, resulting in a significant impact and low audit quality. The time budget is a factor that can put pressure on, not only as a control mechanism but as a measuring tool in Public Accounting Firms (Gundry & Liyanarachchi, 2007). High audit quality will undoubtedly affect auditors' working hours and fees; as a result, under pressure, auditors tend to engage in dysfunctional behaviour to keep budgets low (Bedard & Ettredge, 2008; Asriningpuri & Gruben, 2021).

H₂: Time budget pressure has an effect on audit quality.

Agency theory on auditor experience draws a person's behaviour from non-formal and formal education so that, in this case, the auditor's Experience provides an overview of the auditor's performance. Auditors often review partners, offering appropriate considerations to provide good audit results. Auditor experience is one of the factors with low audit quality, so the Length of Experience carried out by the auditor increasingly influences the audit results. According to the PSA audit standard No. 4, regardless of the level of expertise of a person in other fields, including business and finance, they can only be regarded as criteria for performance standard requirements if they have adequate Experience and training in their area. Auditor experience is an aspect of developing the potential for behaviour and the learning process while working at a specific time, the more experience an auditor has, the better the quality of the audit produced (Zulvia et al., 2021). The Experience of the auditor influences audit results, and support factors such as the high Experience of the auditor can provide good audit results. Studies Zulvia et al., (2021) Experience influences audit quality. Experience can provide high quality along with the extension of audit assignments. The auditor must have sufficient experience because it is by general and public accounting professional standards that auditors are required to know their profession.

H₃: Auditor experience has an effect on audit quality.

Research Methods

The population of this study is senior and junior auditors who work in Public Accounting Firms in Semarang. As many as 60 auditors were sampled in this study by purposive sampling. The sample used the respondent's criteria: auditors in carrying out audits (general audits) of financial statements by KAP for at least two years, attended training/training conducted by implementing agencies/KAP. The study used the Partial Least Square (PLS) approach with SmartPLS 4.0 software. PLS is a Structural Equation Modeling (SEM) technique capable of analyzing latent variables formed by indicators, both reflectively and formative. PLS parameter estimation is divided into three: the analysis of weights to score latent variables. This second path forecast connects latent variables and between indicators of latent variables (loading), and the third means location parameters. (constant regression value) for a hand of latent variables.

Table 1. Operational Variables

Variable	Variable definitions	Indicator
Audit Quality	Audit quality is the possibility in which an auditor finds and reports a violation in his client's accounting system, while the act of writing a misstatement depends on the independence of the auditor (DeAngelo, 1981)	Timely, complete, accurate, objective, convincing, clear, concise
Auditing Complexity	Complexity is a task of individual perception related to the job's difficulty caused by limited capacity and memory ability to integrate problems into decision-making (Nasyrah Noor et al., 2019)	Task Clarity, Task Difficulty Level, Task Complexity
Time Budget Pressure	Time budget pressure is pressure for an auditor to complete tasks and responsibilities by the specified time and the results are by the audit contract (Handoko & Pamungkas, 2020)	Accuracy and time pressure, setting targets within a specified time, burdens borne with time constraints.
Auditors' Experience	Auditor experience is a process of learning and developing potential in behavior while working at a specific time. The more experience the auditor has, the better the quality of the resulting audit (Zulvia et al., 2021)	Some clients audited, Length of service, Experience in training.

Result and Discussion

a. Evaluation of Measurement Models (*Outer Models*)

Outer Model measurements are used to test convergent validity, discriminant validity, and reliability validity. Evaluation of the outer model is carried out to increase the validity and reliability of the measurement model.

(1) Convergent Validity

Convergent validity testing is used to determine the validity of each relationship between indicators and their constructs or latent variables. The value in the indicator is declared valid if the construct variable is ≥ 0.7 . If the indicator value is below 0.70 then the indicator is deleted

Table 2. Outer Loading

Variable	Indicator	faktor Loading	
		Pre	Modification
Auditing Complexity	KAU1	0.844	0.866
	KAU2	0.811	0.849
	KAU3	0.525	omitted
	KAU4	0.111	omitted
	KAU5	0.732	0.768
	KAU6	0.340	omitted
Audit Quality	KU1	0.851	0.851
	KU2	0.875	0.875
	KU3	0.867	0.867
	KU4	0.864	0.864
	KU5	0.854	0.854

Variable	Indicator	faktor Loading	
		Pre	Modification
	KU6	0.889	0.889
	KU7	0.829	0.829
Auditors' Experience	PA1	0.831	0.848
	PA2	0.755	0.748
	PA3	0.740	0.801
	PA4	0.885	0.936
	PA5	0.660	omitted
	PA6	0.479	omitted
	PA7	0.236	omitted
Time Budget Pressure	TA1	-0.301	omitted
	TA2	-0.020	omitted
	TA3	-0.129	omitted
	TA4	-0.048	omitted
	TA5	0.039	omitted
	TA6	0.825	0.825
	TA7	0.594	omitted

Source: output of SmartPLS 4.0

(2) Discriminant Validity

Discriminant validation testing is used to determine a reflexive indicator based on good measurements for each construct. Correlated indicators must be high against other constructs. The following table shows the cross loading of discriminant validity testing.

Table 3. Output Fornell-Lacker

	KAU	KU	PA	TA
Auditing Complexity	0.829			
Audit Quality	0.492	0.862		
Auditors' Experience	0.528	0.724	0.836	
Time Budget Pressure	0.044	0.481	0.318	1.000

Source: output of SmartPLS 4.0

Discriminant validity testing using the Fornell Lacker test displays the number of AVE roots in each construct and variable. The second discriminant test can be done by looking at the comparison of scores from the AVE (Average Variance Extracted) value as a latent variable correlation. The value of AVE must be greater than the construct correlation in the model. Before looking at the correlation, the AVE value is said to be valid if < 0.5. The following is the value of AVE.

Table 4. Average Variance Extracted

	AVE (Average Variance Extracted)	AVE root
Auditing Complexity	0.687	0,8288
Audit Quality	0.742	0,8613
Auditors' Experience	0.699	0,8360
Time Budget Pressure	-	-

Source: output of SmartPLS 4.0

Table 4 shows that the AVE value in each construct is > 0.50 , it is said that the construct can explain the variance in the value. For example, the AVE root value of the KU construct is 0.861 higher than the KU construct with KAU of 0.828, the KU construct with PA is 0.836. However, there is a construct whose value is not visible in AVE, namely time budget pressure, because it is an indicator with a reflective indicator.

(3) Composite Reliability and Cronbach Alpha

Tests carried out on construct reliability can be measured by two criteria, namely composite reliability and Cronbach alpha. When a construct has composite reliability and Cronbach's alpha is greater than 0.70, it is said to be reliable. The output of composite reliability and Cronbach alpha from the PLS Algorithm using SmartPLS can be seen in the following table:

Table 5. Output Composite Reliability

	Composite reliability	Cronbach's alpha
Auditing Complexity	0.868	0.785
Audit Quality	0.953	0.942
Auditors' Experience	0.902	0.854

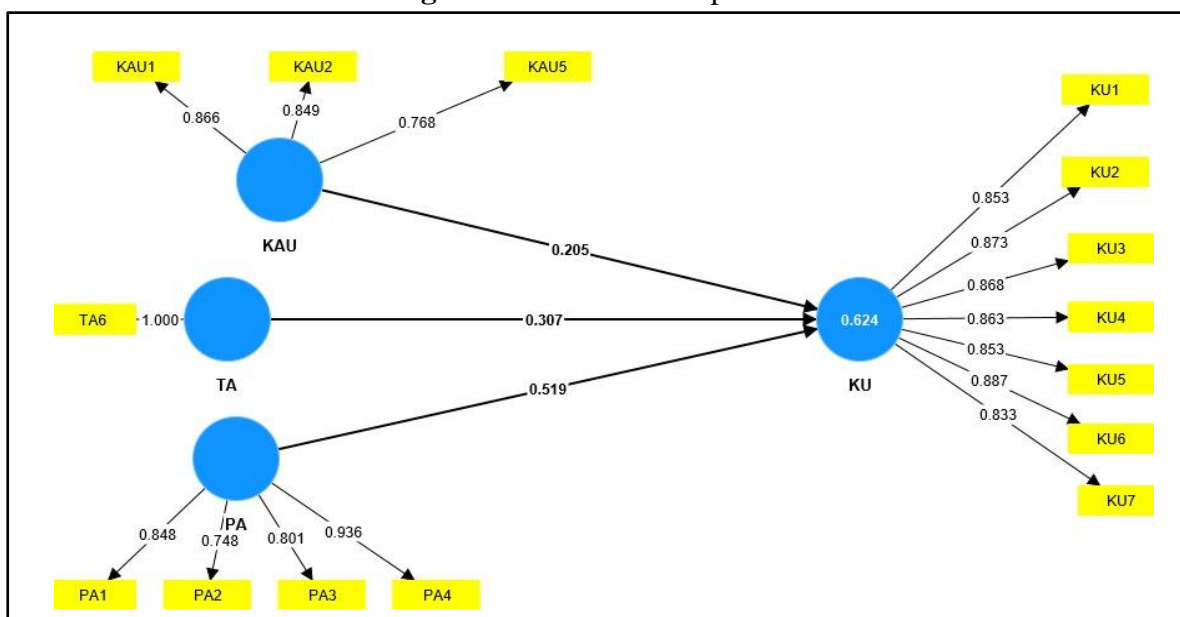
Source: output of SmartPLS 4.0

The table above shows that composite reliability and Cronbach alpha have values for each construct above 0.70. So it can be concluded that every construct in the estimated model is good.

b. Evaluation of the Structural Model (Inner Model)

Based on the results of the analysis of the Full Structural model (inner model) described in Figure 1.

Figure 1. SmartPLS Output



Source: output of SmartPLS 4.0

(1) Coefficient of Determination (R^2)

One of the methods for developing an internal model is to find the value of R-square (R^2) in the dependent structure. The high R-Square value gives a better prediction model. The R-Square value on the dependent variable, namely audit quality of 0.624, shows a result of 6.24%, changes in audit quality are explained by several factors including audit complexity, time budget pressure and auditor experience of 3.76%.

Table 9. Output R-Square

	R-square
Audit Quality	0,624

Source: output of SmartPLS 4.0

The R-Square value is said to be strong if it is greater than 0.67, greater than 0.33 but less than 0.67, and more than 0.19 but less than 0.33. From the R-Square table above, it can be concluded that the structure of the inner model of this research is quite good.

(2) Predictive Relevance/Q-Square

The goal of predictive relevance research is to understand some of the best observations made by the model, as well as estimated by parameters. If the Q-Square value is greater than 0, it can be concluded that the model has predictive relevance.

$$Q^2 = 1 - (1 - 0,624)$$

$$Q^2 = 1 - 0,376$$

$$Q^2 = 0,624$$

The results of the calculation above obtained a Q^2 value or predictive relevance of 0.624. Where the interpretation of Q^2 is the same as the total coefficient of determination in path analysis or similar to R^2 in regression. And from the results of the Q^2 calculation it is known that it has a predictive relevance value greater than 0, it is concluded that it is good because it is close to 1.

c. Hypothesis Testing

To test the hypothesis in this study using a confidence level of 5%. The Results of hypothesis testing recapitulation in this study can be seen in Table 3.

Table 10. Hypothesis Testing

Hypothesis	Original sampel	t-statistik	P-Value	Results
Auditing Complex → Audit Quality	0.205	2.405	0.008	Accepted H1
Time Budget Pre → Audit Quality	0.519	3.827	0.000	Accepted H2
Auditor Exper → Audit Quality	0.307	2.238	0.013	Accepted H3

Source: output of SmartPLS 4.0

Auditing Complexity on Audit Quality

The estimation results show that the auditing complexity has a positive and significant effect on audit quality. Means that every increase in audit complexity will improve audit quality. This result in line with (Hafizah, 2022) that Audit complexity has a positive and significant effect on audit quality. This is in contrast to various studies which The complexity of audit assignments can negatively affect professional judgment on audit results, especially since many audit assignments are very complex in nature (Butar & Lily, 2018). Observations made by researchers on research objects show that the auditors at the Accounting Office in Semarang carry out their duties according to audit procedures. Experienced auditors can maintain quality with various levels of complexity to provide good audit quality. Based on respondent data conducted by 60 auditors with a minimum of two years of experience criteria with a group of Experience in their field (auditor) indicates the level of audit complexity at KAP Semarang is said to be sufficient in conducting audits and being responsible for conducting audits. In addition to Experience, auditors must improve training skills and formal education regarding auditing and public accounting sector seminars. Therefore, based on (Widiarta, 2019) states a significant positive relationship between audit complexity and audit quality. The amount of expertise or experience required in carrying out the auditor's duties gives high-complexity results with good audit quality.

Time Budget Pressure on Audit Quality

The result show that time pressure has a positive and significant effect on audit quality. Prasita and Hari (2007) found that too much time allotted made auditors lazy and less motivated to be more active in their work. Otherwise, if the schedule is too tight, neglected tasks can lead to unproductive behavior. Audit time must be realistically allocated. Not too long and not too fast. Similar research conducted by Wilasittha (2015) and Al-Islamy & Andayani (2019) argued that Time-Budget Pressures significantly have a positive influence on audit quality. The more time is pressed against the auditor, which affects the audit task. Therefore, with the limited time given by the hood in Semarang, the auditors will still provide good-quality audit results. The statement made by (DeZoort et al., 1997) is that when faced with time budget pressure, the auditor can respond in 2 ways, namely, (functional and dysfunctional). Dynamic behaviour provides the best time factor, when the time budget pressure is getting tighter, it encourages the auditor to be more enthusiastic in completing tasks, thereby providing good audit quality. Even though time budget pressure is a factor with high level of causing a decrease in audit quality, based on the results of an analysis of previous findings by (Zain et al., 2021) that time budget pressure affects audit quality if an auditor has good quality time budget pressure, the quality of the audit given will be better.

Auditor experience on Audit Quality

The statistical test results show that H2 is accepted, and it is concluded that auditor experience positively affects audit quality. The original sample was 0.519 with a significant value at the 0.05 level with a p-value ($0.00 < 0.05$) with a calculated value ($t\text{-statistic } 3.827 > t\text{-table } 1.96$). Results of previous research analysis (Salsabila et al., 2020) show a positive influence on audit quality. The more Experience, the auditor has, the higher the quality of the resulting audit. Experience is essential for the auditor because it can predict the auditor's

performance. The more Experience, the auditor, has in auditing a financial statement, the greater the influence it has on audit quality. Due to the various constraints encountered by each client with a different organizational structure, it provides the Experience gained. According to research conducted by (Cahan & Sun, 2014) experienced auditors, experienced auditors have a broad form of thought and developed experience compared to inexperienced auditors. They reasoned that auditors with high professionalism and job knowledge found it easier to find errors in client systems. The results of this study align with (R & Frederick, 1990) that experience can influence audit quality. Researchers find that the higher the experience gained, the easier it will be to find conjectures in explaining audit findings. Auditor training and expertise provide awareness to follow business developments and minimize audit findings that are difficult to understand, creating professions and improving audit quality.

Time Budget Pressure on Audit Quality

Conclusions

There are conclusions by several factors influencing audit quality, namely: (1) this study provides empirical evidence that audit complexity has a significant positive effect on audit quality; (2) time budget pressure provides empirical evidence that it significantly positively affects audit quality, and (3) auditor experience positively affects audit quality. The results of this study provide a comprehensive evaluation of the preparation of questionnaires on improving audit quality. Suggestions for future researchers can add variations in variables, samples, and factors that support the influence of good audit quality.

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