

The Effect Of Audit Fee, Professionalism, Experience, Independence And Competence On Audit Quality In Public Accountants' Offices In Medan City

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Abstract

Audit Quality is a characteristic and description of practice based on auditing standards, control of task implementation, and professional responsibilities as an Auditor. The independent variables of this study are audit fees, professionalism, experience, independence, and competence. The purpose of this study is to examine whether audit fees, professionalism, experience, independence, and competence influence audit quality at Public Accounting Firms (KAP) in Medan. The method used is quantitative, the type is survey and data collection, and is causal. The sample determination uses a saturated sample with a sampling method taken from the entire population. This condition often occurs when the population is relatively small, so all members of the population are sampled. The total sample is 50 auditors from 3 KAPs located in Medan. The hypothesis of this study shows that partially audit fees, professionalism, experience, independence, and competence do not influence audit quality, but simultaneously audit fees, professionalism, experience, independence, and competence do not influence audit quality at Public Accounting Firms in Medan.

Keywords: *fee audit, professionalism, experience, independence, dan competence.*

INTRODUCTION

Economic development in the current era of globalization has been extremely rapid. Many companies desire a stable and healthy economy to build and support their goals. A company's health can be seen in its vision, mission, and the quality of its financial reporting. Financial reports are prepared by companies as a form of accountability to their stakeholders. These reports must be reliable and reflect the company's true condition. To obtain fairly presented reports, the services of an auditor are required. Auditors are tasked with reviewing financial reports and ensuring they are free from irregularities and reliable for decision-making. Auditors are considered qualified if they meet the auditing standards established by the Indonesian Institute of Accountants (IAI). Auditors who meet general standards, fieldwork standards, and reporting standards become auditors at a Public Accounting Firm. The elements of quality control that must be applied by every KAP in all types of audit and consulting services, one of which is independence, which means convincing all personnel at every level of the organization to maintain independence. Professional standards and quality control standards must be applied by public accountants and KAP in order to maintain the quality of the work they do. According to AL-Kaaddash et.al (2013), audit quality is the probability that an auditor provides assurance that the audited financial statements are free from material misstatements or fraud.

LITERATUR RIVEW

1. Theory of the Influence of Independence on Audit Quality

Independence is seen as a neutral attitude that auditors must possess, which is essential for maintaining the credibility of the audit process. Independence influences audit quality. This theory is derived from Megayani et al. (2020). Independence influences audit quality. Increasing an auditor's independence will also impact audit quality. The independence of the relationship between the auditor and the client, who receives the auditor's findings and reports, is only influenced by the evidence obtained and compiled in accordance with professional rules and principles.

1. Work experience influences audit quality

because it is considered an important characteristic for auditors and ensures they possess the necessary skills and knowledge to perform their duties effectively. According to Purnomo et al. (2020), auditor work experience influences audit quality. According to Agis Fitriyah Halifah (2018), research conducted by Agis Fitriyah Halifah in Indonesia indicates that auditor work experience influences audit quality, moderated by organizational commitment.

2. Audit professionalism influences audit quality

which is crucial for auditors to maintain their professionalism throughout the audit process to ensure credibility and audit quality. This theory stems from Arens and Loebbecke (2023), who argue that professionalism influences audit quality. Professional auditors will always uphold the professional code of ethics and perform their duties with integrity, objectivity, and due care. Auditors' professionalism helps them maintain their independence and avoid conflicts of interest, resulting in more objective and credible audit opinions.

3. Theory of the Influence of Audit Fees on Audit Quality

Audit fees are fees received by auditors, which originate from payments by management or clients for audit services performed (Hartadi, 2015). Gammal (2014) proved that multinational companies and banks in Lebanon prefer to pay large audit fees because they are looking for auditors who can produce quality audits.

4. Theory of the influence of experience on audit quality

According to Fransiska and Betri (2014), the less the auditor's work experience, the less the client's level of doubt about the auditor in carrying out the audit, thus creating opinion in the community. On the other hand, if the auditor is experienced, the level of trust will increase along with the auditor's ability to explain audit findings to clients.

RESEARCH METHODS

This research method uses quantitative methods because the data being processed is ratio data, and the focus of this study is to determine the magnitude of the influence between the variables studied. According to Sugiyono (2017:8).

Population and Sample

The population used in this study is all auditors working in public accounting firms in Medan City. The sampling technique used in this study was proportional random sampling, which is a sampling technique for heterogeneous populations such as neighborhood associations (RTs), villages, sub-districts, regencies, and so on. Score Scale: Strongly Disagree (STS): 1 Disagree (TS): 2 Disagree (DS): 3 Agree (S): 4 Strongly Agree (SS): 5 30, etc. Proportional random sampling involves drawing a sample size proportional to the population.

Data Types and Sources

The type of data used in this study is primary data. According to Sugiyono (2018:456), primary data is a data source that directly provides data to the data collector. The data is collected by the researcher directly from the primary source or the location where the research object is being conducted.

Data Analysis Technique

The data analysis method used in this study was multiple linear regression analysis. To validate the results of the multiple linear regression analysis, the quality of the observation instruments, data normality tests, and classical assumption tests were first conducted. Data processing used SPSS (Statistical Package for Social Science) software. Multiple linear regression analysis is used to analyze the influence of more than one independent variable on the dependent variable. The multiple linear regression equation model.

RESEARCH Results

- Validity Test

The validity criteria are determined based on a comparison of the calculated r value with the table r value. An item is considered valid if the calculated r value is greater than the table r value and the significance value is less than 0.05. Complete data regarding this instrument testing are presented in the following table. Based on the test results on all research variables (X1, X2, X3, X4, X5, and Y), it can be concluded that all instrument statement items are declared valid because each item has a calculated r value that is greater than the r table (0.279), so the questionnaire is suitable for use as a data collection tool in this study.

- Reliability Test

A variable is considered reliable if its reliability coefficient (referred to as the calculated r in this table) is greater than the specified standard threshold of 0.70.

Uji Reabilitas				
No	Variabel	r hitung	r tabel	Keterangan
1	Fee Audit	0.940	0,70	Reliabel
2	Profesionalisme	0.879	0,70	Reliabel
3	Experince	0.939	0,70	Reliabel
4	Independensi	0.902	0,70	Reliabel
4	Kompetensi	0.978	0,70	Reliabel
4	Kualitas Audit	0.947	0,70	Reliabel

Based on the test results in Table 3.2, it can be concluded that all research variables including Audit Fee, Professionalism, Experience, Independence, Competence, and Audit Quality are declared reliable because each has a calculated r value that is in the range of 0.879 to 0.978, where these values consistently exceed the r table threshold of 0.70. The high value of this reliability coefficient indicates that the instrument used has a very good level of consistency, so that the measuring instrument can be relied upon to collect data in this study accurately.

- Classical Assumption Test

Normality Test

o Mean: The average value is 1.81×10^{-15} (very close to zero).

o Std. Dev.: The standard deviation is 0.948 (close to 1).

o N: The number of data samples tested is 50.

Based on the results of the normality test using the histogram graph, it can be concluded that the regression model meets the assumption of normality. This is evidenced by the data distribution pattern, which forms a bell curve (symmetrical) and does not deviate to the left or right. Therefore, the residual data is considered normally distributed and suitable for use in further statistical analysis.

Multicollinearity Test

By meeting the Tolerance > 0.10 and VIF < 10 criteria for each variable, this regression model is confirmed to be free from multicollinearity. This demonstrates that each independent

variable is orthogonal (independent), thus the estimated effect of each variable on Audit Quality is accurate, unbiased, and reliable as a basis for drawing scientific conclusions.

Heteroscedasticity Test

This unpatterned data distribution indicates that the residual variance from one observation to the next is homogeneous (constant), thus the model meets one of the main requirements of the classical assumptions for use in predictive analysis.

Multiple Linear Regression Test

Based on the results of data processing through multiple linear regression analysis, the following regression equation was obtained:

$$Y = 39.814 - 0.432X_1 - 0.340X_2 - 0.157X_3 + 0.526X_4 + 0.224X_5$$

Note:

- Y = Audit Quality
- X₁ = Audit Fee
- X₂ = Professionalism
- X₃ = Experience
- X₄ = Independence
- X₅ = Competence

The interpretation of the above regression model can be described as follows:

- The constant value of 39.814 indicates that if all independent variables (Audit Fee, Professionalism, Experience, Independence, and Competence) are considered constant or zero, the Audit Quality value is 39.814.
- The regression coefficients for Audit Fees (X₁), Professionalism (X₂), and Experience (X₃) indicate a negative influence on audit quality. This means that each increase in these variables is accompanied by a decrease in Audit Quality in this model.
- The regression coefficients for Independence (X₄) and Competence (X₅) indicate a positive influence on audit quality. This indicates that the higher the level of independence and competence of the auditor, the higher the resulting Audit Quality.

Overall, the results of this multiple linear regression indicate that audit quality is significantly influenced by these five independent variables, with varying directions of influence. The Independence variable is the factor with the most dominant positive influence, while the Experience variable shows an insignificant negative influence based on the results of the previous partial test.

DISCUSSION

1. The Effect of Audit Fees on Audit Quality

Based on the results of the hypothesis test, the Audit Fee variable (X₁) has a negative regression coefficient of -0.432 with a significance level of 0.000. Since the significance value is <0.05, it can be concluded that Audit Fees have a negative and significant effect on Audit Quality.

2. The Influence of Professionalism on Audit Quality

The Professionalism variable (X2) shows a negative regression coefficient of -0.340 with a significance value of 0.021. This result indicates a significant negative influence on Audit Quality.

3. The Influence of Experience on Audit Quality

The analysis results show that Experience (X3) has a negative coefficient of -0.157 with a significance value of 0.088. Since the significance value is >0.05 , the experience variable is proven to have no significant influence on Audit Quality in this study.

4. The Effect of Independence on Audit Quality

Independence (X4) has a positive coefficient of 0.526 with a significance value of 0.005. This variable is the factor with the most dominant positive influence on improving audit quality.

5. The Influence of Competence on Audit Quality

The Competence variable (X5) shows a positive coefficient of 0.224 with a significance value of 0.026. This finding demonstrates that competence has a positive and significant effect on audit quality.

CONCLUSION

Based on the data analysis and discussion, the following conclusions can be drawn:

1. Audit fees impact audit quality. This indicates that the amount of fees received by auditors can affect the quality of audit work, both in terms of accuracy and the time allocated to the audit process.
2. Professionalism significantly impacts audit quality. Auditors with a professional attitude will work in accordance with auditing standards and codes of ethics, thus producing quality audits.
3. Experience impacts audit quality. Auditors with more work experience tend to be better able to detect errors and fraud in financial statements.
4. Independence significantly impacts audit quality. Independent auditors are able to provide objective opinions without pressure from any party.
5. Competence impacts audit quality. High competence enables auditors to possess adequate technical skills and knowledge to conduct audits.

II. SUGGESTIONS

Based on the results of the study, we present the following recommendations:

1. For Public Accounting Firms (KAP):

They are expected to continue improving the quality of their human resources by developing audit fees, professionalism, experience, independence, and auditor competence through ongoing training.

2. For Auditors: Auditors are expected to maintain their independence in carrying out their duties, improve their professionalism, and enrich their experience and competence through education and training.

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