Analyzing Audit Quality Indicators in Audit Companies in Indonesia

Pina¹, Christian², Versia Silvana³
Universitas International Batam, Indonesia¹
Universitas International Batam, Indonesia²
Universitas International Batam, Indonesia³

*E-mail: ¹2042046.pina@uib.edu, ²2042064.christian@uib.edu, ³2042091.versia@uib.edu

Abstract

Because of the high level of confidence established by audit reports and the services given by auditors, public accounting firms, particularly those with extremely large scales, must pay greater attention to the quality of the audit to be performed. The purpose of this study is to talk about audit quality using audit reports from PT Atic Anabatic Technologies Tbk and PT Arna Arwana Citra Mulia Tbk. The services of KAP partners Purwantono, Sungkoro, and Surja, who hail from the BIG 4, Ernst & Young Public Accounting Firm, were used to perform qualitative research based on the findings of each organization about the timing of the audit (EY). Each auditor, however, prepares audit reports at various times. According to what was previously said, Susanti had a 147-day audit delay, whereas Benyanto Suherman experienced a 33-day audit delay. Because the quality of an audit provided by an auditor is not only measured by the time in which the audit report is carried out; it is also measured by several components of audit quality indicators, such as journalists, auditors, ethics, auditor independence, policies, service imbalances, and so on, it cannot be directly concluded based on the conditions that occur.

Kata kunci: Audit, Audit Quality, Audit Quality indicator
INTRODUCTION

Complete and accurate financial reports can make it easier for users of financial reports to receive dependable and relevant information (Herawati & Selfia, 2019). Internal users of financial reports are those who are directly involved with corporate operations, while external users include investors, creditors, debtors, and interested communities (Ibrahim, 2021). A public accountant is one type of party that uses external financial reports.

A public accountant is a professional who works to improve the quality and reliability of financial data as well as the quality of good corporate governance (Kustinah, 2022). As a result, numerous stakeholders, including investors, creditors, and the government, rely on the professional services of public accountants. Its goal is to help stakeholders make economic decisions. As a result, financial reports and the public accounting profession are inextricably linked in terms of revealing a company's true state. Public accountants must not only provide audit views on a company's financial accounts, but they must also consider the quality of audits provided as a form of devotion and dedication to their profession. The auditor's dedication will instill trust in the services given to the community. Users of audited financial statements have a high level of faith in public accountants and their services, which allows them to pay close attention to the quality of the audit offered to the firm being audited.

According to El Badlaoui et al., (2021), Audit quality is one of the audit objectives that must be met by competent, independent, and experienced professionals in accordance with generally accepted auditing standards in order to provide users of financial statements with reasonable assurance, in the auditor's report, that the financial statement statements and related information are presented in accordance with auditing standards and are free of material typographical errors. Low audit quality can have a wide range of negative consequences for stakeholders like investors, suppliers, communities, governments, and others. According to the Association of Certified Public Accountants In terms of audit quality indicators, these include auditor competence, auditor ethics, and independence; time use of key engagement personnel; engagement quality control; results of quality reviews or inspections of external and internal parties; range control of the engagement; organization and management of KAP; and service reward policies.

Accountants are needed by companies to audit financial reports and business performance in order to generate trust among outsiders regarding the facts supplied by corporate management (Herawati & Selfia, 2019). However, as a result of the emergence of cases involving auditors, including the Big Four Public Accounting Firm, which provided an understanding to users of accounting information in financial reports that the audit quality of the Big Four also needs to be considered, for example, Ernst & Young (EY) Indonesia, which was accused of failing to provide supporting evidence for the calculation of the lease of 4,000 cellular towers, the public's sense of trust began to dwindle. EY Indonesia was penalized US$1 million by PCAOB for carelessness with this purposeful aspect. Furthermore, the Securities and Exchange Commission (SEC) fined Klynveld Peat Marwick Goerdeler (KPMG) US$ 6.2 million for an audit failure. KPMG failed to audit Miller Energy Resources, an energy business that has seen a large growth in asset value. In 2011, the increase was even
100 times the true value. Based on the controversies encountered by the two Big Four, it is possible to infer that the quality of audits done by the two main KAPs requires additional investigation. The audit done by the two KAPs failed.

The high level of trust in audit reports and auditor services necessitates KAPs, particularly those on a large scale, paying more attention to the quality of the audit to be performed. Various incidents of auditors failing to provide audit services demonstrate the difficulties of auditing. Based on the audit quality indicators offered, the audit results provided by public accountants through KAP in conformity with professional standards and codes of ethics, as well as applicable legislative restrictions. (Institut Akuntan Publik Indonesia (IAPI), 2018). Based on the background information provided, the researcher wants to investigate "How Audit Quality Indicators Can Affect Audit Companies."

This research will be conducted utilizing the "literature view" approach, which entails watching, surveying, and analyzing works of research findings and ideas created by researchers and practitioners with the goal of presenting a summary and critical evaluation of a topic or problem in research.

IMPLEMENTATION METHOD
Audits

Auditing is the collection and examination of evidence connected to information. This action is often beneficial for creating financial report information that adheres to standards (Sendari, 2020). Auditors are those who conduct audits (Arens et al., 2015). Auditing is a systematic method of evaluating economic evidence with the goal of aligning statements with existing standards and communicating the outcomes to consumers of financial statements (Mulyadi, 2009). Menurut Arens dan Loebecke (2003) define auditing as the process of evaluating quantifiable information evidence in an economic entity that is utilized to transmit information in line with established standards. According to experts, auditing is the process of analyzing a company's financial accounts and adjusting them to current standards in order to provide an audit opinion.

The goal of the audit is for an auditor to provide a reasonable view in key matters as well as express the position of the company's financial statements based on accounting ethics that have been standardized in Indonesia. Furthermore, the purpose of an audit is to demonstrate that a financial report is complete, correct, exists, is assessed, categorizes, discloses, and is cut off (Sendari, 2020; Umam, n.d.). According to Khasani (2018), the purpose of auditing a company's financial statements in Indonesia is to provide a quality audit opinion in all material respects for statements of financial position, income statements, reports of changes in equity, and statements of cash flows so that they can be prepared in accordance with established accounting standards.
Audit Quality

Audit quality is a description of audit outcomes in compliance with auditing standards, which is the auditor profession's obligation. The term "audit quality" refers to how well the auditor's work compares to the stated criteria. According to Akmal (2006), audit quality is a result that has met the necessary degree of satisfaction to evaluate an activity. However, according to Yadiati and Mubarok (2017), audit quality is the correct information presented by the auditor that is consistent with the audit criteria established by the auditor. In order to give a proper and correct audit report, an auditor must follow auditing standards and principles that are independent and in compliance with the professional code of ethics while auditing a company's financial statements. According to the experts' understanding, an auditor must submit a company's financial statements in line with appropriate criteria or standards so that the quality of the audit report does not tarnish the KAP's reputation. The presence of good audit quality ensures that an auditor will discover financial statement errors perpetrated by the organization (Abudullah et al., 2008).

Audit quality is separated into two categories: actual quality and perceived quality. Actual quality is defined as a decrease in the risk of substantial misstatement. Meanwhile, "perceived quality" refers to one's belief in the auditor's financial information in major misstatements of financial reports (Tanujaya & Susiana, 2021). Low audit quality will undoubtedly have a negative economic impact as well as managerial fraud (Coram et al., 2008).

Audit Quality Indicators

According to the IAPI, audit quality can be measured by audit quality indicators such as auditor competence, auditor ethics, and auditor independence; key engagement personnel's use of time; engagement quality control; results of quality reviews or inspections by external and internal parties; span of engagement control; KAP organization and governance; and service reward policies (Institut Akuntan Publik Indonesia (IAPI), 2018).

Auditor competence refers to an auditor's ability to carry out work or the audit process to the maximum extent possible. According to De Angelo (1981), auditor competence may be judged using factors such as understanding of accounting principles and auditing standards, formal education, training courses, and particular expertise, the number of customers audited, auditing experience, and the kind of organization examined.

When performing an audit in order to provide excellent reports, ethics act as a guide. To avoid unfair competition, every auditor must follow the guidelines established by the IAI (Indonesian Institute of Accountants). This professional ethic protects customer confidentiality and prevents client data from leaking. The auditor profession's ethical standards are comprised of five principles: integrity, impartiality, accuracy, confidentiality, and professional behavior (Universitas123, 2022).

Independence is the auditor's attitude that is not affected by customers who have personal interests. As a result, someone who becomes an auditor must not take sides and be tough enough to deal with client pressure. The KAP needs this independence in order to complete audits of client firms. In addition to an independent attitude, the corporate sector
desperately requires auditors, which makes auditors obligated to preserve workplace standards (Dariana dkk, 2018).

The utilization of key engagement personnel's time demonstrates the auditor's commitment to performing an audit and to the quality of the audit. The shorter the time allotted to key engagement individuals, the lower the audit quality as a result of insufficient completion of the audit process. However, if the auditor fails to sign it on time, the financial statements will be submitted late. As a result, audit quality and KAP quality will suffer.

The auditor conducts engagement quality control in accordance with the auditing standards established by the Indonesian Association of Public Accountants. The auditor's goal in performing engagement quality control is to ensure that the audit was done in compliance with professional standards as well as applicable laws and regulations and that the financial statements were released in line with the circumstances.

The Finance Ministry The Public Accountants Act authorizes the Center for Financial Professional Development to conduct regular audits of public accountants. According to the legislation, IAPI has the ability to assess or evaluate the quality of public accountants. The Financial Services Authority (OJK) and BPK are the agencies that often conduct audits of public accountants or public accounting companies (Financial Audit Agency).

According to Jhonson, V.E. & Reynolds, (2002) The audit engagement duration is divided into three categories, the first of which is brief, ranging from two to three years. The second group is moderate or medium, which is a four- to eight-year commitment time. The third type is lengthy, consisting of an engagement lasting more than eight years.

According to the Indonesian Association of Public Accountants' Audit Quality Indicator Guide for KAPs, indicators related to the organization and management of KAPs that can be used for evaluation to encourage increased audit quality are that KAPs are led and managed by independent public accountants with an internal culture known as "tone at the top." which prioritizes prevention of matters that could jeopardize KAP independence, KAP has adequate structure and governance by regulating KAP activities such as arrangements, performance appraisal and remuneration systems, and leadership and partnership mechanisms among fellow public accountants. KAP also needs to establish an organization in KAP with a function to handle and carry out aspects related to risk management, training, learning, and development, quality assurance, and technical inquiries.

The Law on Public Accountants allows public accountants the right to be compensated for their services in order to create trust that the KAP organization would operate in line with professional standards, codes of ethics, and applicable legislation. Public accountants are allowed to set their own rates for services depending on their professional needs. IAPI, on the other hand, continues to release a rule controlling standards for assessing service prices.

According to the State Financial Audit Standards (2017), audit quality is determined by the outcomes of audit reports, which must be completed on time so that the information submitted may be presented ideally. The evidence needed for auditing financial statements is accurate evidence to provide confidence to users of information so that the audit report is truthful and reliable. The presentation of the results of the audit must be done in a balanced, impartial, and fair manner and not in a misleading manner, meaning that the report is
presented objectively. The audit report must be presented clearly in order for financial statement users to grasp the contents of the report; the audit report is kept short since reports that are too lengthy might diminish the report's quality.

RESULTS AND DISCUSSION
PT Atic Anabatic Technologies Tbk

Two firms are used in this discussion: PT Atic Anabatic Technologies Tbk and PT Arna Arwana Citra Mulia. PT Atic Anabatic Technologies, or ATIC, is an Indonesian firm that provides superior information technology services. It was founded in 2001. Mission-critical system integration, IT services outsourcing, business process outsourcing, and value-added distribution are ATIC’s four primary and core industries.

In 2021, PT Atic Anabatic Technologies completed a financial statement audit with Ernst & Young (EY) KAP Purwantono, Sungkoro, and Surja and a public accountant named Susanti. Susanti is a certified public accountant with over 20 years of expertise auditing significant national and global corporations, both public and private, in Indonesia. Susanti’s auditing scope is based on worldwide accounting standards such as IFRS and US GAAP.

Susanti has auditing experience; however, in practice, Susanti experienced delays in submitting audit reports to PT Atic Anabatic Technologies, which had been audited, namely on May 27, 2022, which means the delay lasted 147 days, despite the fact that based on Kep-00015/BEI/01-2021 regarding audit report delays, namely a maximum of 90 days (2021). There is a line in PT ATIC's 2021 Financial Statements detailing that PT ATIC restated its 2020 and 2019 consolidated financial statements. A restatement might be the cause of the delay in presenting PT ATIC's consolidated financial statements. Because of the delays in completing the consolidated financial statements, certain consumers of PT ATIC’s financial statement information or PT ATIC stakeholders may believe Susanti is less competent. Susanti also has a history as a public accountant with over 20 years of experience auditing businesses. This may have caused PT ATIC’s stakeholders to question Susanti’s competency. However, this is understandable given the restatement of the consolidated financial statements for 2019 and 2020, where the restatement is due to corrections to errors in the previous period, including accounts receivable and others, inventories, advances, prepaid taxes, fixed assets, intangible assets, deferred tax assets, trade and other payables, accrued expenses, taxes payable, long-term employee benefit liabilities, and other accretions.

Susanti should be acknowledged for delaying the filing of the consolidated financial statements, implying that she did not submit the financial statements on time. According to Anwar and Ahmad Nugraha Syaiful (2014), Susanti attempted to carry out a quality audit process by carrying out a full, accurate, objective, compelling, clear, and brief audit process. Despite the delays, Susanti finished the audit process independently, indicating that she fulfilled the professional ethical requirements that pertain to a professional public accountant.

PT Arna Arwana Citra Mulia Tbk

PT Arna Arwana Citra Mulia was established in 1993 as a basic and chemical industries company with two brands, UNO and Arwana. This firm was founded in 1995, and
it has four subsidiaries: PT Arwana Anugerah Keramik, PT Arwana Nuansaceramik, PT Primagraha Keramindo, and PT Sinar Karya Duta Abadi.

The financial accounts of PT Arna Arwana Citra Mulia were also audited by the Big 4 KAP, namely Ernst & Young (EY) and a public accountant named Benyanto Suherman. Benyanto Suherman has over 30 years of expertise in major, global, and publicly traded firms. Benyanto Suherman (2020) is a University of Indonesia graduate who is also a registered public accountant in Indonesia with the OJK and IAPI. Furthermore, Benyanto Suherman has attended various seminars hosted by IAPI as well as local training offered by Big 4 businesses, including Ernst & Young, as well as several trainings both locally and overseas, including in Singapore, Indonesia, Thailand, Malaysia, and the United States. In practice, Benyanto Suherman audited and gathered audit reports from PT Arna Arwana Citra Mulia on February 2, 2022, which lasted 33 days. According to Kep-00015/BEI/01-2021 regulating audit report delays, namely a maximum of 90 days (2021), the audit done by Benyanto Suherman has not been regarded as an audit delay and is still being carried out in a timely manner because it is still less than 90 days.

Benyanto Suherman may be stated to be extremely ethical and independent in auditing the financial accounts of the firm Arna Arwana Citra Mulia since the KAP itself does not take sides with anybody in producing the audit report and also produces an audit opinion that is presented honestly. Another reason is that Benyanto Suherman was able to complete the audit report completely and appropriately since he has more than 30 years of experience auditing major, international corporations as well as public organizations engaged in banking and non-banking activities (2020). According to the auditor's code of ethics, if the auditor agrees to audit a client firm, he must have expertise working in the same industry as the client so that Benyanto Suherman can finish the audit report for Arna Arwana Citra Mulia properly, correctly, and on time.

Based on the financial statements of PT Arna Arwana Citra Mulia and the audit report prepared by KAP Benyanto Suherman, it can be stated that they have been presented in accordance with the audit quality indicators according to Anwar, Ahmad Nugraha Syaiful, because the company's financial statements are presented in a timely and complete manner, namely, five reports, and are in accordance with the code of ethics for public company financial reports, as stated. The financial statements of PT Arna Arwana Citra Mulia can be stated to be objective, which implies that they are true, implying that the KAP has audited the numbers with materiality. The financial statements of PT Arna Arwana Citra Mulia are clear since the footnotes offer a very extensive explanation of the statement of financial position, profit and loss statement, statement of changes in capital, and statement of cash flows.

**CONCLUSION**

Based on the time of the audit findings for each firm, it can be observed that Susanti is a partner of KAP Purwantono, Sungkoro, and Surja, and Benyanto Suherman is also a partner of KAP Purwantono, Sungkoro, and Surja, and each auditor is from Big 4 Ernst & Young (EY). Regardless, each auditor generates audit reports at a different time. According to what was previously described, Susanti had a 147-day audit delay, although Benyanto Suherman,
who was late for 33 days, was not considered late since he was still under 90 days. Thus, even if each auditor has a different audit delay, based on the conditions that occur, it cannot be immediately concluded that the audit quality provided by each auditor is good or not, because audit quality is measured by several components of audit quality indicators, such as auditor competence, auditor ethics and independence, policies and fees, and so on.

Susanti has an audit delay of 147 days; however, when other audit quality indicators are considered, Susanti, a partner of KAP Purwantono, Sungkoro, and Surja, has performed well on various audit quality indicators. Benyanto Suherman, a partner at KAP Purwantono, Sungkoro, and Surja, has been implementing audit reports for 33 days, which is still not too late and falls into the timely category. Auditor Benyanto Suherman has successfully implemented audit quality indicators. Because information regarding each auditor, namely Susanti and Benyanto Suherman, is restricted, the findings of the data given are consistent with information collected from papers, journals, and other sources.

REFERENCES


