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THE INFLUENCE OF AUDIT FEE, INDEPENDENCE, AND COMPETENCY ON AUDIT QUALITY

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Abstract:

This study examines the influence of audit fees, independence, and competence on audit quality in KAP Surabaya and Malang. Data was collected using a saturated sampling approach, wherein questionnaires were distributed to gather responses. The response rate for the study was 78%, with a total of 39 completed questionnaires out of the 50 distributed. The collected data was analyzed using multiple linear regression in SPSS Version 25. The findings indicate significant results. Firstly, higher audit fees positively impacted audit quality, suggesting that auditors receiving higher fees devote more time and resources to conducting thorough audits, leading to better quality outcomes. Secondly, independence had a positive and significant effect on audit quality, implying that auditors maintaining a higher level of independence demonstrate professional skepticism, objectivity, and impartiality, resulting in higher-quality audits. Thirdly, competence positively influences audit quality, indicating that auditors with more excellent technical knowledge, experience, and professional skills perform more accurate and reliable audits, thereby enhancing audit quality. These findings emphasize the importance of adequate audit fees, promoting independence, and enhancing auditor competence to ensure high-quality audits. Audit firms and regulators should consider these factors when formulating audit policies and procedures. This study provides valuable insights into the relationship between audit fees, independence, competence, and quality. By understanding these factors, stakeholders can strive to improve audit practices and standards, ultimately leading to more effective and reliable auditing processes.

Keywords: Quality Audit, Audit Fee, Independence and Audit Competence.

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INTRODUCTION

An audit is an examination by an independent party, critically and systematically, of financial statements prepared by management and finance, which aims to provide an opinion on financial statements (Prasanti et al., 2019). In order to enhance investor protection, various measures such as financial reporting, changes in accounting standards, and audits have been implemented. These measures ensure accountability, which falls under the manager's responsibility. Investors use auditing as a guarantee based on trust in financial statements (Kuntari et al., 2017).

Audit quality is the focus due to several violations committed by Public Accountants. It resulted in the Ministry of Finance freezing the permits of several Public Accounting Firms involved. Some cases above show that the auditor has violated the Professional Standards of Public Accountants (SPAP). Therefore, audit quality is essential because high audit quality will produce virtuous financial statements as the basis for decision-making (Meidawati & Assidiqi, 2019).

The size of the company being audited affects the audit fee obtained. Auditors with high fees will conduct audits more broadly and in-depth so that the client's financial statements that allow for discrepancies can be detected (Oning & Budiyo, 2019). Independence is a determinant of audit quality, as the auditor will not be influenced by his client if he is genuinely independent (Marwa et al., 2019). An auditor must have competent qualifications to conduct a proper audit (Fahdi, 2018).

In examining the literature and previous research on audit quality, it is essential to establish a bridge between the existing knowledge and the focus of this study. Several studies have investigated the factors influencing audit quality, including audit fee, independence, and competence. These variables have been identified as critical determinants of audit quality in various contexts. However, it is essential to emphasize that the current study aims to contribute to this literature by focusing specifically on the influence of these variables on audit quality in KAP Surabaya and Malang. The theory and previous research are described in the paragraphs below.

Attribution Theory. Attribution theory is a theory that refers to how a person explains the origins of the behavior of others or himself, which can be determined from internal such as characters, attitudes and traits or external including the pressure of certain circumstances or situations that will affect the individual behavior (Marwa et al. ., 2019).

Behavioral Accounting Theory. Behavioral accounting is a sub-discipline involving aspects of human behavior related to economic decision-making. According to Lubis, (2014) behavioral science studies human behavior by covering all fields of research through experimentation and observation methods in the physical and social environment.

Auditing Theory. Auditing theory is a guideline for undertaking normative audits. To perform a quality audit, an auditor must comply with generally accepted standards and regulations. Audit quality is measured by the auditing standards, and generally accepted regulations (Marwa et al., 2019)

Audit Fee. An audit fee is a reward in the form of money or other to be given to a client or other party to obtain an engagement from a client or other party. The determination of audit fees is typically established through an agreement between the auditor and the client prior to the commencement of the audit process (Agustini & Siregar, 2020).

In addition, auditors are expected to maintain independence in their work, demonstrating an unbiased and unaffected approach as they carry out their responsibilities in the public interest. If an auditor indicates as dependent, he will lose his impartiality, which is crucial in maintaining freedom of opinion. However, in reality, the auditor must be independent and show an independent look and manner (Arviandy & Tandiontong, 2020).

Competence. Competence is the ability, expertise (education and training) and experience to understand the criteria to find some of the proof needed to strengthen a conclusion that will be drawn later (Sulistiani et al., 2018).

Audit Quality. Audit quality is defined as a possibility regarding the findings made by an auditor during an examination related to errors made and material errors reflected in the client's

financial statements so that an auditor detects an accounting error belonging to the client. (Kristianto et al., 2020).

The Effect of Audit Fees on Audit Quality. Wahyuni et al., 2019 prove in their research that audit fees have a significant effect on audit quality; further research conducted by (Ayu Rahma & Nyoman, 2017) shows that audit fees have a positive and significant influence on audit quality, which is supported by research (Andirani & Nursiam, 2017) and (Ayu et al., 2019). It shows that the higher the audit fee, the higher the audit quality produced because, the wider the audit procedures to be undertaken by the auditor. Consequently, H1 can be formulated as follows: Audit fee positively affects audit quality.

The Effect of Independence on Audit Quality. Independence has a positive and significant effect on audit quality. Thus, when an auditor has independent principles in carrying out his duties, it will ensure that the quality of the audit produced is more independent or trustworthy (Situmorang et al., 2020), supported by research (Sulistiani et al., 2018) and (Kristianto, 2020) said that independence had a significant effect on audit quality. Consequently, H2 can be formulated as follows: Independence positively affects audit quality.

The Effect of Competence on Audit. The results of the analysis conducted by (Fahdi, 2018) it was concluded that competence has a positive and significant effect on Audit Quality which is supported by research (Prasanti et al., 2019) and (Arvianty & Tandiontong, 2020). Thus, the higher the competence of an auditor, the higher or better the quality of the audit carried out. Consequently, H3 can be formulated as follows: Audit Competence positively affects Audit Quality.

The Effect of Audit Fee, Independence, and Competence on Audit Quality. The research results (Oning & Budiyono, 2019) say audit fees positively affect audit quality. Research (Iryani, 2017) says that auditor independence in conducting audits positively and significantly influences audit quality at Public Accounting Firms in South Jakarta. Furthermore, research by (Marwa et al., 2019) shows that competence affects audit quality because auditors with higher education will have a broader view of things. Consequently, H4 can be formulated as follows: Audit Fee, Independence, and Competence positively affect audit quality.

However, despite the existing body of knowledge, further research is still needed, particularly within the specific context of KAP Surabaya and Malang. This study aims to bridge the gap in the literature by examining the effect of audit fees, along with other variables, on audit quality in these regions. By doing so, it seeks to contribute to understanding the factors influencing audit quality and provide valuable insights for auditors, regulators, and stakeholders in enhancing audit practices.

METHODS

This quantitative study examines the influence of audit fees, independence, and competence on audit quality in the context of KAP Surabaya and Malang. The research utilized a saturated sampling approach, where all auditors working at Public Accounting Firms in the two cities were included as the sample. A total of 50 auditors met the sample criteria. Primary data was collected through questionnaires, and descriptive analysis was performed to provide an overview of the data. Reliability and validity tests were conducted to ensure the measurement instrument's stability, consistency, and accuracy. The multicollinearity test assessed the correlation between independent variables, with a VIF value below 10 and a tolerance value above 0.10, indicating no multicollinearity. The homoscedasticity test was employed to examine the equality of residual variances among observations, while the normality test assessed the normal distribution of the

dependent and independent variables. Multiple linear regression analysis was carried out to determine the influence of audit fees, independence, and competence on audit quality. The regression model was formulated as $Y = a + b1.x1 + b2.x2 + b3.x3 + e$, where Y represents audit quality, and a, b1, b2, and b3 are coefficients.

The T-test, F-test, and coefficient of determination were used to assess the significance and explanatory power of the model. The T-test was conducted to evaluate the significance of the independent variables, with a significance level of 0.05. The F-test was utilized to assess the overall feasibility of the model, determining if all independent variables collectively affect the dependent variable. The coefficient of determination (R^2) was calculated to measure the model's ability to explain the variation in the dependent variable, with values ranging between 0 and 1. In summary, this research employed a causal quantitative approach, using saturated sampling to gather primary data. Validity and reliability tests were conducted, followed by multiple linear regression analysis.

RESULTS AND DISCUSSION

Distribution of Respondents. Data was collected by distributing questionnaires sent directly by researchers to 5 KAPs and sent via Google form to 1 KAP. The distributed questionnaires could not be taken immediately due to the emergency PPKM during the covid-19 pandemic. Of the 50 questionnaires distributed to 6 KAPs, only 39 could be obtained by researchers, and 11 were not processed because the KAP was unwilling to provide a research certificate.

Descriptive Statistical Testing. From descriptive statistical testing, the following results are obtained; the Audit Fee variable has an average value of 13.87 with a minimum value of 10, a maximum value of 20 and a standard deviation of 2.597. With a minimum value of 4, a maximum value of 20, and a standard deviation of 2,949, the independence variable has an average value of 13.33. The competence variable has a mean value of 10.07, a range of 3.0 to 15.0, and a standard deviation of 2.474. With a minimum value of 9, a maximum value of 20, and a standard deviation of 2,490, the auditor quality variable has an average value of 14,179.

Table 1. Internal Consistency Reliability of Variables in the Study

Variable	Cronbachs Alpha	Description
Fee Audit	0,723	Reliable
Independence	0,743	Reliable
Competence	0,757	Reliable
Audit Quality	0,681	Reliable

Source: Author 2023

The Cronbach's Alpha value on the Audit Fee variable is $0.723 > 0.5$, the independence variable is $0.743 > 0.5$, the Competence variable is $0.757 > 0.5$, and the audit quality variable is $0.681 > 0.5$. It shows that all variables have a value above 0.5, with 39 respondents. It can be concluded that the answer to the statement is reliable.

The validity test shows that $\text{recount} > \text{table}$ (0.308) means that all items are valid. The value of each respondent's answer item shows the results of the table above; it can be concluded that all questions are valid.

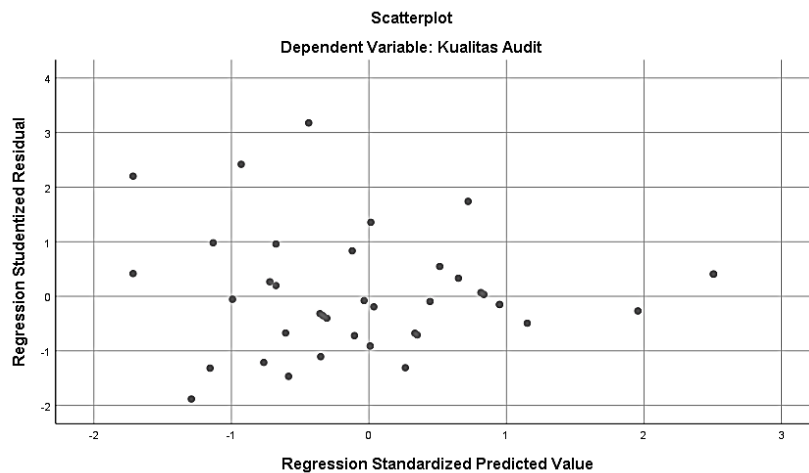
Table 2. Regression Coefficients and Collinearity Statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
	(Constant)	2,969	1,216				2,442	,020
1	Fee Audit	,289	,141	,301	2,048	,048	,358	2,790
	Independence	,243	,108	,288	2,251	,031	,474	2,111
	Competence	,393	,120	,390	3,269	,002	,544	1,839

a. Dependent Variable: Audit Quality

Source: Author 2023

The table above shows that the tolerance value is > 0.10, and the value of each variable, shown in the audit fee tolerance value, is 0.358, independence is 0.474, and the tolerance value for competence is 0.544. In addition, the VIF value for audit fees is 2,790, independence is 2,111, and competence is 1,839. By that, this study shows no multicollinearity between the independent variables. If the variance inflation factor (VIF) value is less than 10, it indicates no multicollinearity.



Source: Author 2023

Figure 1. Heteroscedasticity Test

Given that the dots are dispersed randomly, do not form a pattern, and are distributed both above and below the value 0 on the Y axis, it is clear that there is no heteroscedasticity. Meanwhile, heteroscedasticity occurs if there is a specific pattern.

Normality Test. It displays the Asymp value based on the single sample Kolmogorov-Smirnov test. Signature (2-tailed) of 0.158 > Signature 0.05. Thus, a conclusion that the value is regularly distributed may be drawn.

**Table 3. Multiple Linear Regression Analysis
Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,969	1,216		2,442	,020
1 Fee Audit	,289	,141	,301	2,048	,048
Independence	,243	,108	,288	2,251	,031
Competence	,393	,120	,390	3,269	,002

a. Dependent Variable: Audit Quality

Source: Author 2023

The analysis results can be summarized as follows: Firstly, the constant value of 2.969 indicates the baseline level of auditor quality before the influence of the independent variables (audit fees, independence, and competence) is considered. Secondly, the regression coefficient (b1) for the audit fee variable is 0.289, indicating that a one-unit increase in the audit fee variable is associated with a 0.289 increase in auditor quality. Thirdly, the independent variable's regression coefficient (b2) is 0.243, suggesting that a one-unit increase in independence leads to a 0.243 improvement in auditor quality. Lastly, the regression coefficient (b3) for the competence variable is 0.393, indicating that a one-unit increase in competence results in a 0.393 increase in auditor quality. These findings demonstrate the positive relationship between audit fees, independence, competence, and auditor quality.

T Test. Based on the t-test results, the researcher can explain the findings as follows: Firstly, the audit fee variable (X1) significantly affects audit quality (Y). The t-value for the audit fee variable is 2.048, which is greater than the critical t-value of 1.690 at a significance level of 0.05. The significance value of 0.048 is smaller than 0.05, leading to rejecting the null hypothesis (Ho). It indicates that the audit fee variable (X1) significantly influences audit quality (Y). Secondly, the independent variable (X2) also significantly affects auditor quality (Y). The t-value for the independent variable is 2.251, exceeding the critical t-value of 1.690 at a significance level of 0.05. The significance value of 0.031 is smaller than 0.05, resulting in rejecting the null hypothesis (Ho). Hence, the independent variable (X2) partially significantly influences audit quality (Y). Thirdly, the competency variable (X3) significantly affects audit quality (Y). The t-value for the competency variable is 3.269, surpassing the critical t-value of 1.690 at a significance level of 0.05. The significance value of 0.02 is smaller than 0.05, leading to rejecting the null hypothesis (Ho). Consequently, the competency variable (X3) partially indicates a significant influence on audit quality (Y).

**Table 4. F Test
ANOVA^a**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	171,736	3	57,245	31,303	,000 ^b
Residual	64,007	35	1,829		
Total	235,744	38			

a. Dependent Variable: Audit Quality

b. Predictors: (Constant), Competence, Independence, Audit Fee

Source: Author 2023

Data processing shows that the significant result of F is $0.000 < 0.05$ (5%), and Fcount is greater than Ftable, which is $31.303 > 2.874$, so the audit fee, independence and competence variables together positively influence audit quality. Therefore, audit fees, independence and competence simultaneously significantly affect audit quality.

Table 5. Determination Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,854 ^a	,728	,705	1,35232

a. Dependent Variable: Audit Quality

b. Predictors: (Constant), Competence, Independence, Audit Fee

Source: Author 2023

Based on the results of the calculations in the table above shows that the percentage of audit quality can be defined by audit fees, independence and competence on audit quality as indicated by the adjusted R square value of 0.705, which means that auditor quality can be explained in the audit fee, independence and competence variables of 70.5%, while the remaining 29.5% is affected by other variables not involved in this study.

The Effect of Audit Fees on Audit Quality. The first hypothesis in this study is that the audit fee variable partially has a positive effect on auditor quality. Based on the results of research conducted at KAP Surabaya and Malang, the variable audit fee partially has a positive influence on audit quality. The results of data processing show that the significant value for the audit fee variable is 0.048, which is smaller than 0.05. It means that the audit fee variable has a significant effect. Therefore, the first hypothesis (H1) is accepted. This study's results support the research conducted by (Wahyuni et al., 2019), which states that audit fees significantly affect audit quality. Research (Ayu Rahma & Nyoman, 2017) proves that audit fees positively and significantly affect audit quality. Furthermore, the research conducted (Ayu et al., 2019) said that audit fees positively and significantly affected audit quality.

The Effect of Independencies on Audit Quality. The audit quality is slightly impacted positively by the independence variable, according to the second hypothesis in this study. According to findings from studies done at KAP Surabaya and Malang, the independent variable has a partly favorable impact on audit quality. The data analysis reveals that the independence variable's significant value is 0.031, which is less than 0.05, indicating that it has a substantial impact. Therefore, the second hypothesis (H2) is confirmed. This study's results align with those (Situmorang et al., 2020). who said that independence had a positive and significant effect on audit quality. Research conducted by Sulistiani et al. (2018) proves that independence significantly affects audit quality. Research (Kristianto et al., 2020) says that independence positively and significantly affects audit quality.

The Effect of Competence on Audit Quality. The third assumption in this study is that auditor quality is influenced positively by the competence variable. Based on the findings of studies carried out at KAP Surabaya and Malang, it can be concluded that the competency variable significantly affects audit quality. The significance value of the competency variable is 0.002 0.05. The second hypothesis (H3) is therefore confirmed. This study supports (Fahdi, 2018), who claimed that expertise significantly affects audit quality. According to research from (Prasanti et al., 2019), competence has a considerable impact on audit quality. Competence impacts audit

quality, according to a study by Situmorang et al. and Marwa et al. in 2020, backed by similar studies.

The Effect of Audit Fee, Independence, and Competence on Audit Quality. The fourth hypothesis in this study is that the variables of audit fees, independence and competence simultaneously positively affect auditor quality. Based on research conducted at KAP Surabaya and Malang, namely between audit fee variables, independence and competence are variables that complement each other, or it can also be said that the audit fee, independence and competence variables determine the quality of audit results that suitable or not owned by a person auditors.

CONCLUSION

The following conclusions can be drawn based on the collected data and the results of regression analysis conducted on the problem. Firstly, the audit fee positively impacts audit quality at KAP Surabaya and Malang, indicating that higher audit fees are associated with better audit quality produced by auditors. Secondly, independence positively affects audit quality at KAP Surabaya and Malang, implying that a stronger sense of independence among auditors leads to improved audit quality. Thirdly, competence positively influences audit quality at KAP Surabaya and Malang, suggesting that auditors' higher levels of competence contribute to enhanced audit quality. Finally, at KAP Surabaya and Malang, audit quality is significantly and positively affected by audit fees, independence, and competence. It indicates that when audit fees increase and auditors demonstrate greater independence and competence, the quality of audits they generate improves or increases.

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