

# Effect of Auditor Ethics, Complexity, Audit Fees, Auditor Motivation, and Time Budget Pressure on Audit Quality for All Members of the Indonesian Institute of Certified Public Accountants

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## Abstract

*This study aims to determine the effect of auditor ethics, complexity, audit fees, auditor motivation, and time budget pressure on audit quality for All Members of the Indonesian Institute of Certified Public Accountants. This research is a quantitative research with a descriptive approach. The research was carried out in All Members of the Indonesian Institute of Certified Public Accountants who are registered in the 2020 membership. The population of this study were All Members of the Indonesian Institute of Certified Public Accountants as many as 1,450 people. The sample size in this study was 208 Members of the Indonesian Institute of Certified Public Accountants. This research uses structural equation model (SEM) analysis. The results obtained are that auditor ethics has a significant effect on audit quality, complexity has a significant effect on audit quality, audit fees has a significant effect on audit quality, auditor motivation has a significant effect on audit quality, and time budget pressure has a significant effect on audit quality.*

## Keywords

Auditor; ethics; fees; motivation; quality



## I. Introduction

In the face of increasing business competition in all fields, the use of information technology which is also growing rapidly, requires company managers to require the services of accountants, especially public accounting services in providing assurance that the financial statements are relevant and reliable. The accountant in this case is the auditor. Auditor services are very much needed by the community, because the community demands a fair, transparent, and open attitude in auditing the company's financial statements.

Financial statements contain financial information that exists within the company, so that auditor services are highly sought after and needed to avoid irregularities committed by the company. This is because the auditor's responsibility is to the public. An auditor in carrying out an audit is not only for the benefit of the client, but also other parties with an interest in the audited financial statements. Public accountants are accountants who have obtained permission from the minister of finance to provide public accounting services in Indonesia.

Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021) . Financial performance is a measuring instrument to know the process of implementing the

company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

Provisions regarding public accountants in Indonesia are regulated in the Law of the Republic of Indonesia Number 5 of 2011 concerning Public Accountants and Regulation of the Minister of Finance Number 17/PMK.01/2008 concerning Public Accountant Services. According to Hanjani and Rahardja (2014) define audit quality as the probability that an auditor finds and reports about a violation in his client's accounting system.

The role of a public accountant is to carry out an audit of the financial statements of a company by generating an opinion on the financial statements by a public accountant based on Financial Accounting Standards and Generally Accepted Accounting Principles in making decisions that the financial statements presented by management can be trusted. With the existence of a public accountant, the public expects financial reports to be independent (not in favor of the company) so that they are free from invalid information presented by the management of a company.

The quality of audit results is largely determined by the quality of the process. Competent auditors will have extensive procedural knowledge and skills when auditing. Knowledge of the auditor will be able to design audit procedures properly, determine analytical risks appropriately, obtain sufficient audit evidence, and will be able to complete the audit on time.

As for the phenomenon of poor audit quality, one of which is that there are still some auditors who only copy and paste financial statements from companies, then there are differences of opinion on matters such as FIFO, LIFO, and AVERAGE in journaling, and coupled with differences in perceptions with clients which makes the auditor must follow the wishes of the client.

The Jiwasraya default case made the public question the credibility of the public accounting firm that audited the results of the state-owned company's financial statements. The reason is that the Public Accounting Firm that conducted the audit on Jiwasraya is said to support the polishing of the company's financial statements. To anticipate this does not happen again, the Ministry of Finance has prepared several anticipatory steps.

With the several examples above, it can be seen that the quality of the audit produced is low and public accountants are doubtful because of this. The general standard emphasizes the importance of personal qualities that the auditor must have, both adequate training and technical skills to carry out audit procedures, while the fieldwork and reporting standards relate to the collection of evidence and other activities during the actual conduct of the audit and the auditor must prepare reports on financial statements in a comprehensive manner. in its entirety, including informative disclosures.

According to Munawir (2015:84) in Kamil (2018), one of the recommendations to improve audit quality is auditor ethics, in general ethics is a moral principle and action that forms the basis for a person's actions so that what he does is seen by the community as a commendable act and increasing one's dignity and honor, including improving audit quality. Each auditor is expected to adhere to the professional ethics that have been established by the Indonesian Institute of Certified Public Accountants, so that situations of unfair competition can be avoided.

Considering the role of auditors is very much needed by people in the business world, so that auditors have an obligation to maintain their standards of ethical behavior towards the organization in which they work, their profession, the community and themselves (Hanjani and Rahardja, 2014). Research conducted by Safira (2019) shows that auditor ethics has a

positive and significant influence on audit quality. In contrast to the research results, Yuara et al (2020) show that: (1)the auditor's professional skepticism, audit evidence competence and time pressure simultaneously have a negative effect on fraud detection; and (2)time pressure has a negative effect on fraud detection.

One of the factors that affect audit quality is complexity. Audit complexity is the auditor's perception of the difficulty of an audit task caused by limited capabilities and memory as well as the ability to integrate the problems that an auditor has (Hanifah, 2018). High complexity will reduce the success of the tasks being carried out, so that they are unable to make a decision (Bambang and Rahayu, 2016).

Another factor that can affect audit quality is audit fees. Audit fee is a fee received by a public accountant after carrying out audit services, the amount depends on the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out these services.

The auditor's motivation factor is one of the important elements that must be considered in the implementation of the audit task.

In addition to the above factors, audit quality is also influenced by time budget pressure. Time budget pressure is a time limit in carrying out audit tasks caused by an imbalance between tasks and available time (Hanifah, 2018). Prior to conducting the audit process, the client and the auditor will agree on how long the audit process should take.

This study aims to determine the effect of auditor ethics, complexity, audit fees, auditor motivation, and time budget pressure on audit quality for All Members of the Indonesian Institute of Certified Public Accountants.

## **II. Research Method**

This research is a quantitative research with a descriptive approach. Quantitative research is a systematic scientific study of the parts and phenomena and the causality of their relationships (Pandiangan et al., 2021). Descriptive approach is a type of research that aims to make a systematic, factual and accurate description of the facts and characteristics of the population of a particular area (Pandiangan, 2015).

The research was carried out in All Members of the Indonesian Institute of Certified Public Accountants who are registered in the 2020 membership. Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions (Pandiangan et al., 2018). The population of this study were All Members of the Indonesian Institute of Certified Public Accountants as many as 1,450 people. The sample size in this study was 208 Members of the Indonesian Institute of Certified Public Accountants.

The data collection method used in this research is in three ways, namely field research, library research, and online research. Library research of reference sources is a form of research that uses library facilities by examining theoretical discussions from various books, articles, and scientific works related to writing (Pandiangan, 2018).

This research uses structural equation model (SEM) analysis. SEM analysis which is a method used to determine the dominant/influential variable among other variables that have passed the test (Tobing et al., 2018).

### III. Result and Discussion

#### 3.1 Analysis of Respondents Description

In this sub-chapter, we will describe in a description the characteristics of the respondents who participated in this study. The descriptions presented include respondents according to gender, age, education level, length of service and position at the Indonesian Institute of Certified Public Accountants.

Based on the data obtained information that the respondents who participated in this study were generally male as many as 136 respondents with a percentage of 65.38% of the total respondents. Meanwhile, female respondents who participated in the study were 72 respondents with a percentage of 34.62%.

Based on the data obtained information that the respondents in this study there were three age groups of respondents who participated in this study, starting from the age range of 25-35 years as many as 118 people with a percentage of 56.73%, ages with a range of 36-45 years as many as 54 people with a percentage of 25.96%, and age with a range of >45 years as many as 36 people with a percentage of 17.31%.

Based on the data obtained information that the respondents who participated in this study were generally 115 respondents with a Bachelor's education level with a percentage of 55.29% of the total respondents, a Masters education level who participated in the study as many as 80 respondents with a percentage of 38.46%, a Doctoral education level who participated in the study as many as 11 respondents with a percentage of 5.28% and an Expert education level. The middle schools who participated in the study were 2 respondents with a percentage of 0.96%.

Based on the data obtained information that the respondents who participated in this study in general were 85 senior auditor positions with a percentage of 40.86%, partner positions were 77 people with a percentage of 37.01%, owner positions were 25 people with a percentage of 12.02%, partner positions were 8 people with a percentage 3.85%, leadership positions are 7 people with a percentage of 3.36% and junior director and junior partner positions are 3 people each with a percentage of 1.44%.

#### 3.2 Hypothesis Analysis from Structural Equation Model (SEM)

**Table 1.** Evaluation of the Coefficient of the Structural Model and its Relation to the Research Hypothesis

Hypothesis	Path	Estimate	Value-t	Conclusion
1	Auditor Ethics - Audit Quality	0.33	16.46	Significant
2	Complexity – Audit Quality	0.42	11.66	Significant
3	Audit Fees – Audit Quality	0.39	15.75	Significant
4	Auditor Motivation – Audit Quality	0.37	11.43	Significant
5	Time Budget Pressure - Audit Quality	0.49	14.68	Significant

*Source: Data Processing Results (2021)*

The results obtained are that auditor ethics has a significant effect on audit quality, complexity has a significant effect on audit quality, audit fees has a significant effect on audit quality, auditor motivation has a significant effect on audit quality, and time budget pressure has a significant effect on audit quality.

#### IV. Conclusion

The results obtained are that auditor ethics has a significant effect on audit quality, complexity has a significant effect on audit quality, audit fees has a significant effect on audit quality, auditor motivation has a significant effect on audit quality, and time budget pressure has a significant effect on audit quality.

Suggestions in this research are:

1. The time budget pressure found was not in accordance with the revision frequency of the time budget pressure which resulted in low time budget pressure. To prevent a decline in audit quality, the Public Accounting Firm must give a good assessment of the auditor and have the client's industry capabilities, so that frequency does not occur frequently revisions that affect the time budget pressure.
2. Regarding the audit fee, it was found that the audit fee received was not in accordance with the cost structure of the Public Accounting Firm, which could affect audit quality and reluctance to audit, where the Public accounting firm set a fee far below the decision letter of the Indonesian Institute of Certified Public Accountants, then In order for audit quality to increase, public accounting firms must develop an optimal public accounting firm fee structure so as not to cause a tariff war on public accountants and reduce audit quality.
3. Public Accounting Firm need to reduce the complexity of the work for auditors by providing jobs according to their fields so that they will improve audit quality even well.
4. For further research, it is expected to be able to present higher quality research results by descriptively describing the variables to be studied and expanding the object of research.

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