THE EFFECT OF AUDIT RISK AND AUDIT FEES ON AUDIT QUALITY WITH WORK EXPERIENCE AS MODERATION

Dwi Kumalasari1, Abdul Wahid Mahsuni[2], M. Cholid Mawardi[3]

Faculty of Economics and Business, University of Islam Malang
E-mail: 22001082028@unisma ac. id

ABSTRACT

Audit quality is the main focus to ensure the accuracy and reliability of an entity's financial statements. This study discusses the factors that affect Audit Quality, focusing on Audit Risk, Audit Fees, and Auditor Work Experience. A quantitative approach collects and analyzes data from several related studies. Some empirical research provides deep insights into these factors. The results showed that the audit fee has a significantly favorable influence on audit quality. However, Audit Risk does not have a significant impact, and Auditor Work Experience has a significant positive relationship with Audit Quality, although it does not moderate the influence of other variables. These results are essential to understanding the factors that influence audit quality in the context of accounting practices.

Keywords: **Audit quality, Audit risk, Audit fee, Work experience, Public Account**

INTRODUCTION

Rapid advances in business and finance around the world have made audit-related issues, audit risk, and financial documentation increasingly prominent. An important requirement for any business is the availability of transactional financial data in terms of economic growth. It can be seen from the events that occurred to a number of auditors, such as in the "Wanaartha Life Case". In this situation, the Financial Services Authority (OJK) sanctioned several Public Accountants (AP) by revoking their registered letters with the OJK. The sanctioned parties include public accountants named Nunu Nurdiyaman and Jenly Hendrawan, as well as Public Accounting Firms (KAP) Kosasih, Nurdiyaman, Mulyadi, Cahyo, and partners (KNMT), through the Decree of the Board of Commissioners number KEP-5N/B.1/2023, KEP-3N/B. 1/2023, and KEP-4N/B.1/2023, dated February 24, 2023. According to a statement from the Head of the OJK Literacy, Financial Inclusion, and Communication Department, Aman Santosa, the cancellation

sanction for the Registered Certificate at OJK was imposed on AP Nunu Nurdiyaman and KAP KNMT for committing serious violations, as stipulated in Article 39 letter b of the Financial Services Regulation (PJOK) number 13/PJOK.03/2017 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Services Activities (PJOK 13 of 2013). Meanwhile, Jenly Hendrawan is considered to have no necessary competence and knowledge as a requirement to become a public accountant who provides services in the Financial Services Sector, in accordance with Article 3 of PJOK 13 of 2017. Therefore, AP Nunu Nurdiyaman is prohibited from providing services in the financial services sector starting February 28, 2023 and Jenly Hendrawan is prohibited from providing services in the financial services sector from February 24, 2023 because she is the party who caused the violation. Furthermore, KAP KNMT must not receive new orders after the issuance of the decision and must complete the audit contract on the 2022 financial statements received before the decision no later than May 31, 2023.
(Source: Kompas.com)

Therefore, companies must be very careful in monitoring their cash flow. According to Arens et al. (2015: 2), audit is the process of collecting and analyzing bookkeeping information to determine and record the level of conformity between the information in question and the criteria that have been set. The purpose of an audit is to ensure that the financial statements of a particular entity are accurate and reliable. Financial statements that are applied effectively by independent auditors serve as the basis for investment, rebuilding, and management, so audit quality is a very important consideration.

For companies to use audit services, it is very important that the completed documents can be verified without any manipulation by the company's management team. Based on the foregoing, auditors who conduct financial audits have audit procedures that are in accordance with the Professional Standards of Public Accountants (SPAP). Audit quality relates to the auditor's ability to identify and disclose salient features and information between the user and the user's financial statement management.

When conducting an independent audit, the auditor also has a risk assessment strategy that will ultimately produce an audit report that will most likely list the code of professional ethics. There are various risks that auditors need to pay attention to, including audit risk and audit cost risk. Auditors often consult to determine audit risks so that the audit fees paid are as high as possible. This can have a negative impact on audit quality because auditors will become less thorough and careful. In addition, good audit performance can also be measured because experienced auditors have better knowledge and skills in identifying potential problems and developing efficient audit procedures.

Risk audit refers to the potential risk arising from the auditor's modification of claims made, based on financial records that include important information (PSA no. 25). Audit risk is also indicated as a factor that can have a negative impact on deterioration in audit quality, and audit risk can also have a negative impact on the completion of all required audit procedures. According to the findings of Diana & Azlina's research (2016: 186), risk audits adversely affect efforts to reduce audit quality. Based on the research mentioned above, it can be concluded that audit risk variables affect audit quality variables.

Another factor that can affect the quality of an audit is the audit fee. Agoes (2012: 46) defines audit fees as a form of remuneration provided by auditors to clients. Based on this, audit fees can vary depending on the risk of the audit, the complexity of the services provided, the level of expertise required to complete the services, and the auditor who receives a higher fee is likely to conduct a higher quality audit. Audit fees consist of audit fees for auditors, operational costs, and the company's desired profits. The determination of audit fees is usually based on an agreement between the auditor and the audite in accordance with the time of the audit process, the services provided, and the number of staff members needed for the audit. This indicates that audit fees have an impact on the quality of audits produced by auditors in relation to the company's cash flow.

Work experience is one of the factors that affect audit risk and fees. Work experience according to SPAP (2001) states that the first standard in PSA no.4, namely carrying out audits up to a certain point in time, requires auditors to have sufficient knowledge in the field of auditing and accounting. Work experience contributes to a positive work environment in an organization and can lower the level of work-induced stress in a company. An increasingly complex business environment makes the work experience factor as a moderation in the relationship between audit risk, audit fees, and audit quality very relevant. In current audit practice, a wealth of work experience can help auditors identify potential problems, create more efficient audit procedures, and maintain independence from audit fees.

Has significance in accounting and auditing with several phenomena and some research on the effect of audit risk, audit fees, and work experience as moderation on audit quality. Therefore, researchers are eager to conduct this study in order to prove the results objectively.

METHOD

The research method used in this article is to review articles on factors that affect audit quality in order to create a quality audit with the relationship between audit quality and audit risk, audit fees, and work experience that strengthens research. The results can be used as a basis for developing an audit quality model framework with factors affecting it and relevant empirical research results.

RESULTS AND DISCUSSION

1. Audit Quality

Mulyadi (2014:43). Quality auditing is the systematic process of collecting and evaluating evidence objectively regarding statements about economic activities and events. This process is carried out with the aim of assessing the level of conformity between the claim and the criteria that have been set, then communicating the results to the relevant parties. Prabhawanti &; Widhiyani (2018) emphasized the importance of audit quality because with a high level of audit quality, the resulting financial statements can be used as a basis for decision making. The professionalism of auditors in carrying out their duties is also the key to producing quality financial statements. In addition, audit quality can contribute to encouraging auditors' career advancement. When the quality of audits achieved reflects high standards, auditors enjoy a good reputation and greater trust from clients and the public

2. Audit Risk

According to Tuanakotta (2015: 234) audit risk is the possibility that auditors unwittingly change inappropriate audit opinions on financial statements that contain material misstatements. Audit risk plays a role in the formation of audit opinions which can ultimately affect the overall quality of the audit. According to SAS 39 on audit sampling and SAS 47 on materiality and audit risk consists of 3 components, namely:

a. Inherent Risk, this risk refers to the possibility of material errors in the audited financial statements
b. Control Risk, this risk arises from potential errors that occur due to weaknesses in the internal control system that may not be detected or prevented effectively.
c. Detection Risk, this risk arises because the auditor cannot detect or material errors when conducting an audit

3. Fee Audit

Audit fee is a reward received by auditors after providing audit services. The amount received depends on the deployment risk, the complexity of the service received, and the expertise required to deliver the service. According to Rizai (2022), there are four indicators that explain audit costs, namely:

a. Risk of assignment
b. The complexity of the services provided
c. Level of Expertise

d. KAP fee structure

4. Work Experience

Work experience refers to the set of experience and knowledge that a person has gained through work that has been done in a previous period. It includes all activities carried out in the context of work, including tasks, projects, responsibilities, and interactions in the work environment with colleagues and superiors. According to Susmiyanti & Rahmawati (2016), there are four indicators that can explain work experience, including:

a. Duration or length of work
b. Experience in training
c. Ability to detect errors
d. Number of audited clients

RELEVANT EMPIRICAL RESEARCH RESULTS

Ana et all, (2020), entitled The Effect of Audit Fees, Audit Experience, and Professional Skepticism on Audit Quality with Independence as a Moderation Variable in Public Accounting in Central Java and DIY. This study took a sample of 87 respondents from all auditors in Central Java and Yogyakarta by accidental sampling. Data collection methods using questionnaires and data analysis techniques used are descriptive statistics, validity tests, reliability tests, classical assumption tests, multiple linear regression tests and interaction tests. The results of this study show that audit fees, auditor experience and professional skepticism have a positive and significant effect on audit quality and independence moderates the relationship between audit fees, auditor experience, and professional skepticism towards audit quality.

Muslim et all, (2020) with the title The Effect of Audit Fees, Audit Risk on Audit Quality and Professional Skepticism of Auditors as Moderating Variables in 8 Public Accountants in Makassar Province with 40 respondents with the method of multiple regression analysis (Moderated Regression Analysis). The results showed that the audit fee variable had a negative and insignificant effect on audit quality, audit risk did not have a positive effect on audit quality and auditor professional skepticism as a moderation variable was also unable to strengthen the effect of audit risk on audit quality

Ramadhan et all, (2022), with the research title The Effect of Auditor Independence and Integrity on Audit Quality with Risk-Based Audit as a Moderation Variable at the Makassar City Public Accounting Firm with 58 auditors out of 13 public accountants on the island of Makassar. Data collection techniques are carried out using questionnaires. The population of this study is all auditors registered with Makassar City Public Accountant. The statistical method used to test the hypothesis is to use multiple linear regression with the help of Smart PLS 3.0 software. The results of the analysis show that Independence and Integrity have a positive and significant effect on audit quality. Risk-Based Audit as a moderation of Independence and Integrity also has a positive and significant effect on audit quality

Pradhana et all, (2022), Integrity, Obedience Pressure, Task Complexity and Audit Quality with Work Experience as a Moderation Variable at the Bali Provincial Inspectorate Office with a population of 57 people. Using saturated sample technique with Partial Least Square (PLS) 3:0 regression test. The results showed that the Integrity Variable had a significant positive effect on audit quality. Compliance pressure does not have a significant negative effect on audit quality. The complexity of the task negatively affects the quality of the audit. The auditor's work experience does not moderate the influence of integrity, pressure of compliance and complexity of tasks on audit quality.

Hardianti (2022), The Effect of Work Experience, Integrity, and Auditor Compotency on Audit Quality with Emotional Intelligence as a Moderation Variable at the BPKP South Sulawesi Office with the object of auditors working at the BPKP South Sulawesi office. The results showed that work experience had a positive and significant effect on audit quality. Integrity has a positive and significant effect on audit quality. The competence of auditors has a positive and significant effect on audit quality. Emotional intelligence strengthens in moderating the effect of auditor integrity on audit quality. Emotional intelligence strengthens in moderating the influence of auditor competence on audit quality.

Ellyana et all, (2023), with the research title The Factors Affecting Audit Quality With Auditor's Experience As Moderating Variable with 100 respondents. Using analytical techniques with Smart PLS 4.0 software with research results that show independence has a positive effect and strengthens audit quality. Due professional care has a positive effect and strengthens audit quality. The locus of control positively influences and strengthens audit quality. Time budget pressure has no effect on audit quality. The auditor's experience is not able to moderate the effect of independence on audit quality. The auditor's experience is unable to moderate the effect of due professional care on audit quality. The auditor's experience is able to moderate (strengthen) the influence of locus of control on audit quality. The auditor's experience is unable to moderate the effect of time budget pressure on audit quality

CONCLUSION

This study aims to examine the factors that affect Audit Quality. The results of the study showed:

a. Audit risk does not have a positive effect on the intended quality of the research results of Muslim et all, (2020). Risk-Based Audit as a moderation of Independence and Integrity also has a positive and significant effect on audit quality aimed at the results of research Ramadhan et all, (2022)
b. Audit Fee has a positive and significant effect on audit quality aimed at the results of research by Ana et all, (2020). Audit fees have a negative and insignificant effect on audit quality shown from the results of research by Muslim et all, (2020)
c. Work Experience has a positive and significant effect on audit quality aimed at from the results of research Ana et all., (2020), Hardianti (2022), auditors' work experience cannot moderate or strengthen the influence of independent variables on audit quality aimed at from the results of research Pradhana et all, (2022), Ellyana et all, (2023)

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