

Understanding Audit Quality Indicators By Auditors At Public Accounting Firm

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ABSTRACT

This study aims to find out how the auditor's perception of audit quality at Public Accounting Firm (KAP) in Surabaya Indonesian based on the indicator guidance set by the Indonesian Institute of Public Accountants with the Center for Financial Professional Development, Ministry of Finance, in 2016. The underlying reason of this research is a rampant public offense cases of public accountants in the world that led to decreased audit quality. The method used qualitative interpretive, this research is expected to dig the information and reveal the understanding of the meaning of indicators forming audit quality. The research data used is primary data, with the method of in-depth interview to key informant that is partner auditor and supervisor who already have certificate of competence of Public Accountant. The results of this study indicate the guidelines of audit quality indicators are believed to be able to increase the knowledge and understanding of auditors to maintain audit quality, thereby increasing public confidence in the practice of the public accounting profession in Indonesia. The external and internal quality review result indicator, especially the external review of the Center for Professional Financial Development, effectively promotes compliance and improvement of the audit process of the Firm, with the sanction of freezing up to the revocation of the practice license for the Public Accountant. The role of managerial control and skill of the managing partner and partner in a KAP is a form of commitment and consistency for all parties within the Firm to implement the Quality Control of Engagement and Governance Organization of the Firm.

Keywords: *Audit Quality Indicators, Auditor Behavior, Intepretive Approach*

INTRODUCTION

Public Accountant Professional Standards (SPAP) in 2013 based on International Standards on Auditing (ISA), emphasizing risk, principle-based standards, using professional wisdom, applying professional vigilance, internal control, and communication with parties responsible for governance (Tuanakotta, 2013). The consistent and full application of integrity for this emphasis will certainly improve the quality of audits produced by the auditor. In accordance with the laws of the Republic of Indonesia No. 5 of 2011 concerning Public Accountants, states that the focus of the responsibility of the Public Accountant lies in the opinion

or statement of opinion concluded (assurance) of the financial statements or financial information, while the presentation of financial statements or financial information is the responsibility of management. Therefore, Public Accountants (AP) have an important role in improving the quality and credibility of financial information or entity financial statements, so that the Public Accountant profession contributes to driving a healthy and efficient national economy through efforts to increase transparency, accountability and quality of information in the financial sector.

In each of its services, the Public Accountant must apply the SPAP and the code of ethics for the Public Accountant profession established by the Indonesian Institute of Certified Public Accountants (IAPI), as well as the provisions of the prevailing laws and regulations. Besides this rule, there is also the International Federation of Accountants (IFAC) describing key elements at the engagement level, KAP level, and national level relevant to audit quality. IFAC also underlines that the key elements of audit quality are at the engagement level and the level of the Public Accounting Firm which includes input, process and output. IFAC also emphasizes that audit quality is influenced by interactions and understanding of the importance of audit quality among various parties, namely: auditors, management, audit committees, those responsible for governance, users, and regulators.

The motivation of this research is based on the rampant irregularities committed by Public Accountants to be sanctioned as a result of violations of SPAP, code of ethics, and related legal regulations, namely, in 2013 there were 7 (seven) Public Accountants (AP) who were subjected to administrative sanctions; in 2014 rose significantly to 133 APs that were subjected to administrative sanctions and 1 (one) AP received freezing sanctions (source: PPAJP, 2013 & 2014), and in 2015 until 2016 there were 7 (seven) APs that received sanctions for revocation of permits as a public accountant (source: IAPI Directory, 2016), lastly in the early semester of 2017 there were 8 (eight) Public Accountants who were sanctioned by freezing licenses with a span of time ranging from 3 months to 12 months not providing insurance services and 1 (one) Public Accountants get sanctions for revocation of professional practice licenses (source: P2PK, 2017).

Violations or irregularities of public accountants are influenced by many trigger factors based on the results of empirical research conducted by (Yan & Xie, 2016) which tests the effect of auditor work pressure on audit quality using a sample of Public Accountant Firm that audits companies listed in category A on the Chinese capital market and The results show that there is a significant relationship between job pressure and audit quality when the auditor receives an initial audit assignment for a new client.

(Espinosa-Pike & Barrainkua, 2016) found the same results for professional auditors in Spain where auditor behavior that is detrimental to audit quality aspects is caused by pressure from within the public accounting firm itself. Other factors that can influence audit quality based on the results of testing are known as professional ethics, accountability, competence, and professional due diligence (Mustikawati & Kurnia, 2013).

The same research from (Futri & Juliarsa, 2014) for 36 samples of auditor respondents who work in KAP in Bali, Indonesia shows the results of the level of education and professional ethics affect audit quality. Researchers from China (Wang & Dou, 2015) test results found that changes to policies and rules within the KAP organization have a positive effect on improving audit quality, where the policy can urge auditors to provide high-quality services.

The variety of audit quality indicators has resulted in the publication of recommendations from the Public Accountants Professional Committee (KPAP) to the Ministry of Finance of the Republic of Indonesia (represented by P2PK) and various parties, especially IAPI as a forum for professional associations to participate in formulating criteria in improving the quality of public accountants as outlined in letter number: S-005 / KPAP / 2016 dated April 15, 2016, to further disseminate the guidance on audit quality indicators to relevant parties including academics and researchers. The recommendations for the development of audit quality indicators are also IAPI's commitments as a member of IFAC to follow the A framework for audit quality issued in 2014, essentially the audit quality framework contains guidelines for its members to always encourage improved audit quality globally. IFAC also emphasizes that audit quality is influenced by interactions and understanding the importance of audit quality among various

parties, namely: auditors, management, audit committees, parties responsible for governance, users, and regulators. The parties are expected to encourage audit quality improvement through their respective roles and functions. Based on this background, the formulation of the problem to be raised in this study is how the quality control of the engagement, the results of the quality review or inspection of external and internal parties, and the organization and governance of KAP are perceived by the auditor to improve audit quality.

LITERATURE REVIEW

Limperg T (1985) developed the Theory of Inspired Confidence with regard to audit service demand and supply functions. The emergence of demand for audit services is carried out by third parties who are parties outside the company's stakeholders who demand corporate management accountability. Because the information submitted by management has the potential to be biased due to differences in interests between management and outside stakeholders, an audit of the information is needed. Regarding the audit services requirements, the auditor offers an adequate level of insurance to meet reasonable public expectations, and does not disappoint where the measure is in accordance with the auditor's responsibility to provide confidence to the public that the information from the management is free from material misstatement and possible fraud. The theory developed by Limperg in line with the Agency Theory originally proposed by Watts and Zimmerman (1975) states that audit contributions provided by auditors to the public or stakeholders outside the company are basically determined by the probability that the auditor will detect errors in the financial statements done inadvertently (error) or other deliberate irregularities (fraud) and the auditor's willingness to report these errors both in the modification of opinion, even though the auditee did not agree on the auditor's report. The terminology of expectations or the contribution referred to by the two audit theories essentially shows that the auditor is obliged to produce a quality audit that is able to meet public expectations in his contribution to improving the quality of reliable, relevant and reliable financial report information.

Audit Quality

Audit quality is considered as a complex concept that cannot be reduced to a simple definition (Financial Reporting Council, 2008; Bonner 1990; Knechel et.al 2013; Francis 2011), to date a single definition of audit quality by standard boards and the regulator has not agreed on which one can be used as a "standard" for measuring the assessment of the actual performance of a public accounting firm.

DeAngelo (1981b) defines audit quality as market-value probability, that financial statements contain material errors, the auditor will find and report material errors. DeAngelo (1981b) agrees with the opinion that audit quality must be viewed from two sides: demand or input or relating to the client and supply or output or relating to the auditor. However, in the analysis, he ignores, for the purpose of simplifying analysis, the demand or input side. Thus, the results of the audit are an independent verification of financial data prepared by management that is equipped with opinions in accordance with the quality dimension. Because the auditor is tasked with verifying financial data prepared by management, audit quality defines "the market-assessed joint probability that a auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach"

This is also supported by Mr. Donald's statement from Disney & Partners KAP who stated as follows:

"Audit quality will be influenced by many factors, one of which is audit risk. At this time the risk-based audit standard, which emphasizes audit risk more, auditors in carrying out the audit will look at the greatest risk to each account. As we know, the higher the audit risk, the smaller the audit quality, the more audit evidence is needed. "

In an effort to contribute to defining audit quality, the Center for Audit Quality (The Center for Audit Quality, 2013) highlights two comprehensive concepts for the definition of audit quality: (1) quality process-driven (system or input-based); and (2) quality-based (results-based) results. Process-driven quality is the level of compliance of the process or outcome while results-based quality is the level of perceived value reported by people who benefit from the process or outcome (<https://www.thecaq.org/policy-issue/audit-quality-indicators>).

Public Company Accounting Oversight Board (PCAOB) defines audit quality as a form of meeting the needs of investors regarding financial statements, independent auditors and a good communication process with the audit committee,

such as: (1) financial statement disclosure; (2) guarantees regarding internal control; and (3) business continuity (PCAOB, 2013). However, there is a need for a generally accepted definition that audit quality is a prerequisite for the identification, classification, measurement and disclosure of a Qualities Information System (AQIS) Audit. The Committee recommends that PCAOB use three categories of AQIS to develop the definition of audit quality. The definition of audit quality must be a reference, can be used, and reflect every aspect of the audit: audit professional, audit process, and audit results. In addition, good and actual audit quality references reflect the importance of using audit quality indicators. Such audit quality definitions will be more useful for informing or discussing audit quality and quality indicators that can signal audits and audit findings.

The International Auditing and Assurance Standards Board (IAASB) in 2013 has developed an audit quality framework that aims to contribute to improving audit quality. This framework describes a number of factors (input, output, interaction, and contextual factors) that contribute to constantly improving the quality of audit by a public accounting firm.



Image: A Framework for Audit Quality
Source: IASB, 2013

Audit Quality Indicator

Audit quality indicators are a key indicator that allows a quality audit to be carried out consistently by a Public Accountant through KAP in accordance with professional standards and applicable legal provisions. Based on the letter of the Public Accountant Professional Committee (KPAP) Number: S-005 / KPAP / 2016 dated April 15, 2016 regarding the consideration of the governance of the public

accounting profession in order to improve audit quality, it was presented to IAPI and P2PK who worked together to establish audit quality indicator guidelines on KAP. This collaboration is a manifestation of IAPI's commitment as an associate member of the International Federation of Accountants (IFAC) to implement the A Framework for Audit Quality issued in 2014 which is a guide for its members in order to encourage audit quality improvement globally. The framework explains that IFAC calls attention to the pattern of relationships and understanding the importance of audit quality among auditors, management, those charged with governance, and regulators. These parties are expected to encourage audit quality improvement through their respective roles and functions.

The relationship pattern and understanding of the importance of audit quality are also influenced by contextual factors, including: audit regulations and financial reporting, the legal and cultural environment, corporate governance, business law and practices, practices and the basic financial reporting framework used, and world synergy profession and education or academia. Audit quality indicators at the level of KAP that include audit engagements on financial statements carried out by public accountants are as follows: auditor competency, auditor ethics and independence, time use of key engagement personnel, engagement quality control, quality review results or external and internal party inspection, the range of KAP control, organization and governance, and service compensation policies. Audit quality indicators for Public Accounting Firms in Indonesia will be able to provide benefits to minimize the occurrence of irregularities in the audit process, prevent audit failures, and encourage audit quality improvement. The audit quality indicator is a key indicator that allows a quality audit to be carried out consistently and full of integrity by auditors or Public Accountants through KAP in accordance with professional standards and applicable legal provisions. This research will produce an analysis of the views and understanding of auditor level informants who have CPA certification in KAP in Surabaya, Indonesia for several audit quality indicators. There are several reasons why audit quality is important in any audit services and other related services provided by KAP, namely, to protect the public interest, provide satisfaction to service users / clients, deliver value of money, ensure compliance with professional

standards and codes of conduct, and develop and maintain a professional reputation (Tuanakotta, 2013).

The purpose of this indicator guide is to encourage audit quality improvement through the establishment of relevant audit quality indicators at the level of KAP in Indonesia and determine the appropriate form of communication to these indicators to stakeholders. This is also supported by a statement from Mr. CPA from KAP XYZ which has a Foreign Affiliated Public Accountant Office (KAPA) from the United Kingdom, which states:

"This indicator guide will help improve audit quality. This guide is very important for auditors, in carrying out audit programs. Although each KAP already has guidelines for audit programs and has been supervised in stages, this guide will still help auditors in carrying out audits. Moreover, in affiliated KAP, they will have two guidelines in conducting the audit. "

While the benefits of this indicator guide, among others: for service users of course in making decisions to appoint KAP that is appropriate to the needs, for public accountants in order to improve the quality of insurance services and other services in accordance with the Public Accountant Professional Standards, code of ethics, and statutory provisions In effect, for KAP in order to improve the quality of governance, the regulator plays a role in fostering and supervising so that the quality of financial information is always increasing, and for the general public who need information about KAP.

METHODOLOGY

The approach used in this study is a non-positivistic approach to the interpretive paradigm in approaching real reality. The determination of the interpretive paradigm is based on the method that will be taken by the writer in collecting data in the field. Burrell and Morgan (1979) describe the interpretive nature as a paradigm that has characteristics to understand and explain the social world that is inseparable from the personal perspective that is directly involved in a social process. The interpretive approach methodology seeks to find an explanation of social or cultural events based on the perspective and experience of the person being studied. This approach is a social system that describes the

behavior in detail directly observing (Neuman, 1997: 68). Neuman (2003) argues that the interpretive approach research method used is a specific case study with intensive use of qualitative tools, including interviews, observation, and document analysis, where the reason for conducting research is to understand and explain human actions in context the behavior of the public accounting profession at work. The purpose of using the interpretive approach is to analyze social reality in which the public demands the public accounting profession to always maintain its audit quality and how social reality is formed from the situation of increasing freezing sanctions up to the revocation of the permission of the public accountant by the P2PK authority.

The data used is taken from the Directory of Public Accountants in 2016 published by IAPI. The information extracted during the in-depth interview was in the form of information that focused on the perception of key informants in interpreting the components of the audit quality in the Public Accounting Firm. The indicator determined in this study is the Quality Review or Inspection of External and Internal Parties, Quality Control Systems and KAP Organizations and Governance. The selection of these indicators is based on the mapping of previous research where other indicators such as: Auditor Competence, Ethics and Auditor Independence, Time Use of Engagement Key Personnel, Engagement Control Range, and relative Service Rewards Policy have been widely used as research variables that are related to KAP audit quality. The selection of key informants is done carefully and pay attention to ethical clearance rules, namely the names of auditors and firms of public accounting firms disguised to safeguard the reputation and privacy of the informant.

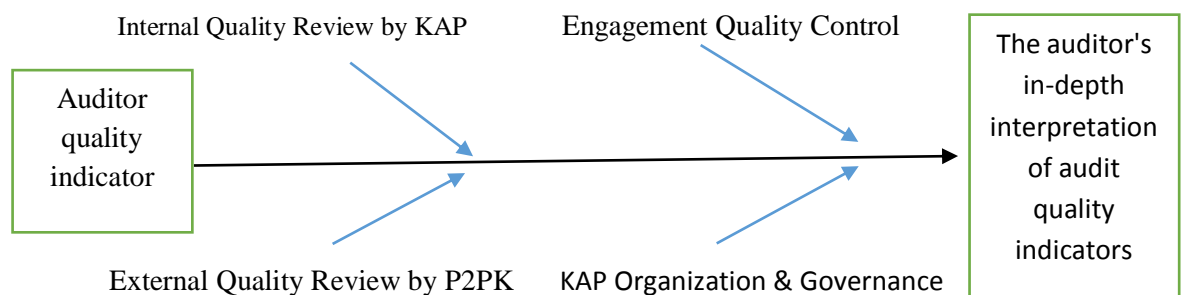


Image: Flow Chart (Fishbones) Research

RESULTS

Public accountants have a significant role in supporting a healthy and efficient national economy, as well as improving transparency and quality of information in the financial sector so that public accountants are required to always improve their quality both in terms of competence and professionalism of their work. The practice of good and reliable public accountants is expected to meet the needs of service users, be trustworthy and promote independence and professionalism so that Indonesian industries become more reliable and create a healthy and efficient economy. Correspondingly, the role of supervision or external review conducted by P2PK and coaching activities is directed at the aim of contributing to creating a public accounting profession and a public accounting firm that is always trustworthy and has reliable quality.

The public accounting profession is currently entering a phase of development followed by a growing number of rules and regulations that regulate how public accountants behave professionally and responsibly in carrying out their roles and functions to encourage an increase in the quality of financial report information. Higher regulated public accounting profession has a significant impact on changes in auditor behavior in carrying out their professional services.

Auditors' perception in interpreting quality review indicators or inspections of external and internal parties

The 2011 Public Accountants Act gives authority to the Ministry of Finance c. Q. The Center for Financial Professional Development (P2PK) to carry out audits to Public Accountants / Public Accountant Offices on a regular basis or according to the Minister's consideration needs to be done. Likewise in the Act, it was stated that IAPI was authorized to review the quality of members. Periodically both P2PK and IAPI have conducted an inspection or review of quality to AP / KAP. In addition, there are several other regulatory agencies that also sometimes conduct checks on AP / KAP such as: the Financial Services Authority (OJK) and the Supreme Audit Agency (BPK). This is also supported by Mr. Dr. Akiana CPA., CA., BKP from KAP Merdeka & Partners as follows:

"At present the quality review mechanism is already very good done by parties outside public accounting offices such as: P2PK, IAPI, and OJK. Each of these institutions will have their own authority. P2PK

will periodically conduct quality checks on our Auntau Public and Public Accounting Firm. P2PK and OJK will announce the results of the quality review. If there is a violation committed by the AP / KAP, the sanctions that will be issued to the AP / KAP will be stipulated in the Decree of the Minister of Finance of the Republic of Indonesia. "

Implementation of inspection by P2PK, review of quality by IAPI will encourage audit quality to be better. AP / KAP that shows unfavorable results when examined by P2PK will get sanctions in the form of warning sanctions, freezing sanctions, fines, and sanctions for revoking AP / KAP permits. The purpose of the quality review of IAPI is to encourage audit quality improvement. However, the results of the quality review can be stated that the work of members is not in accordance with the professional standards of public accountants, the code of ethics and IAPI provisions, IAPI members can be penalized from warnings, freezing, including being excluded from membership at IAPI. The imposition of increasingly stringent sanctions by these authorities increases the work risk of the auditor, this condition is recognized by Mrs. Riani CPA, one of the public accountant partners of KAP Prasetio & foreign affiliated partners who expressed their opinion,

"The big risks felt by our public accountant partners in KAP, the possibility of a non-conformity of the auditor's work with the professional standards of public accountants, violations of the principles of professional codes and other related regulations resulted in auditor work behavior change, there are auditors who feel it intimidates the process auditor work, some feel that compliance with these provisions is absolutely met by people who are auditors. Everything depends on the level of understanding of the auditor on the function of KAP quality control. "

In Quality Control Standard Number 1 concerning "Quality Control for KAP Providing Assurance and Non-Insurance Services", each KAP must carry out an internal monitoring and inspection function on periodic engagement papers. Inspection of working papers is carried out by personnel in KAP who are not involved in the engagement or review of engagement quality control. Weaknesses and findings from monitoring and internal inspections are evaluated for adequate follow-up. The requirement to implement SPM No.1 is supported by a statement from Mr. Wiwin, CPA, a public accountant partner from KAP Erfian & Rakhmanian who expressed his opinion,

"We do have to have quality standards for performance as auditors, the existence of these quality control standards, provides a definite measure of how public accounting firms instill a sense of responsibility for the overall quality of each audit engagement assigned to the auditor. The hope of quality control has an impact on increasing the user's trust in audit services. "

The obligation to supervise at each level of KAP shows the running of the quality control system in the internal scope of KAP. Public accountant associates cannot just dismiss the audit process as the responsibility at the manager and senior auditor level but must monitor and provide direction to all engagement personnel to always meet the professional standards of public accountants, codes of conduct, and other IAPI provisions. The review mechanism carried out by internal KAPs was felt by Mr. Dr. Akiana CPA., CA., BKP from KAP Merdeka, who argues,

"Provisions to conduct an internal review of each KAP assignment have become a work guideline written on the KAP rules that must be fulfilled by all KAP members. As far as I know, each KAP runs Quality assurance, which is the part that functions to carry out internal inspections and monitor the quality of audit implementation. "

In the context of the audit of financial statements, SPM 1 together with SA 220 concerning quality control for auditing of financial statements has developed a framework for quality control in two specific dimensions, namely at the level of KAP and audit engagement engagement. Both of these standards address various areas where the auditor and KAP together can take specific actions to develop and maintain audit quality.

Auditor Perception in interpreting the Engagement Quality Control indicators

Each KAP is responsible for establishing and implementing a quality control system in each engagement. The quality control system in a KAP aims to provide confidence that KAP has established policies and procedures that are possible: Each personnel and KAP comply with the requirements of the requirements of the standards of the Public Accountant profession, the code of ethics, and the provisions of the applicable regulations in carrying out each engagement; and the engagement report issued is appropriate in accordance with the conditions.

To encourage consistency in the implementation of the engagement, the KAP established an audit guide that was always updated to provide assurance that audit work was in accordance with the Public Accountant Professional Standards (SPAP), the code of ethics, and other related regulations. The Guidelines contain policies and procedures for the implementation of audit stages, which begin with the acceptance of the client and evaluation of the relationship of sustainability, risk assessment and response, evaluation of material misstatement and reporting, and communication to the entity. The guidelines also cover policies related to direction, review, supervision, and review of engagement quality control. The guidelines also regulate audit policies and procedures. The audited financial statements have been issued by the entity and have been approved by the head of the entity and signed according to the applicable provisions. The name and identity of KAP are only included on the auditor's opinion page. This is in line with the statement from Mr. Kanto CPA., PhD, managing partner at ABC & Partners KAP as follows:

"Every KAP will always be consistent in the implementation of the engagement, and KAP will always set audit guidelines that will always be updated with the aim to provide assurance that the existing audit is in accordance with SPAP. Because for us who work as a Public Accountant, SPAP and SPM 1 are holy books in conducting audits. "

Auditor's Perception in interpreting Organization and Governance (OTK) indicators

The organization and governance of an adequate KAP allows the implementation of audits and fundamental activities of the KAP that are fundamental in order to improve audit quality can be clearly managed and organized. KAP with a very high and complex number of engagement and personnel requires an organizational structure, division of tasks and responsibility, and a clear procedure system. However, for KAP, the relatively smaller number of engagement and personnel may require simple organizational support that can be managed by one or several Public Accountant colleagues. A KAP also needs support in the form of adequate facilities and infrastructure, including office facilities with a measure that allows auditors to work properly.

The owner of the Public Accountant Office in carrying out operational services in the field of insurance and other non-insurance services as a business organization in general to be able to be carried out professionally and sustainably must have gone through the process of organizational development and corporate governance of KAP in order to always maintain its function of maintaining public trust in services offered by encouraging improvement in audit quality aspects. This is in line with the opinion of Mrs. Riani CPA, one of the public accountant partners of KAP Prasetio & Partners with foreign affiliations who expressed their opinions,

"The KAP leader is a central figure in building the organization and governance of an independent public accountant office by developing an internal culture known as tone at the top, this is necessary so that KAP's independence is maintained."

Furthermore, it was added by Mrs. Riani regarding a KAP that has adequate structure and governance which regulates the regulation, leadership, performance and remuneration assessment system, and partnership mechanism among partners of public accountants who demonstrate a commitment to support audit quality, which in his view said that,

"The audit quality in my opinion is highly correlated with how the work mechanism and work atmosphere in KAP are conducive and transparent so that it can be felt by all members within a KAP organization, a healthy and quality organization can only be achieved if the people in in getting proper career opportunities and remuneration as an auditor who chooses to work for KAP. "

KAP has established an organization within the KAP that functions to handle and implement aspects related to quality control, namely: Risk management, ethics, and independence, namely the part that functions to monitor compliance with requirements for ethical and independence provisions, SPAP, and regulatory provisions apply; Training, learning and development, which is a part that functions to handle and manage training to maintain and improve personnel knowledge and competence; and Technical Inquiry, which is a part that serves to facilitate the availability of consultation for the engagement team regarding audit and accounting issues.

Managing partner of a public accountant is obliged to allocate sufficient time to handle the Organization and Governance, which is certainly expected to

encourage the improvement of the performance of the auditors and the reputation of KAP to be better, so that ultimately it can improve the quality of the existing audit, this was stated by Mr. Wiwin, CPA a public accountant partner from KAP Erfian & Rakhmanian,

"This OTK is expected to be able to improve the performance of the AP / KAP. All KAP will have an organizational structure with the aim of facilitating supervision and they will carry out their respective functions and tasks. AP will always improve understanding and deeper knowledge by following ongoing training. Besides participating in extensive room training, it will also make a real contribution to the performance of AP ".

CONCLUSION

Based on the results of the analysis, it can be seen the positive response of the public accountant informants in Surabaya on the issuance of the KAP audit quality indicator guide with the consideration that the need for such guidelines is urgently needed so that all levels of good KAP affiliated (KAPA) up to small-scale KAP only led by a public accountant who is able to continuously maintain his professional reputation and continuously improve the quality / quality of the audit assignment services he does. For this reason, the results of this study will be an input for the IAPI regulators and professional associations in ensuring that the draft guidelines for audit quality indicators are important and immediately ratified as guidelines for the public accounting profession or KAP to maintain and improve audit quality. Supervision of the implementation of audit services and other related services by public accountants and KAP is not always able to reach the total number of AP / KAP registered in IAPI, therefore P2PK and IAPI limitations in reviewing AP / KAP work results can be dealt with by AP / KAP to report in its annual report the fulfillment of audit quality indicators applied by each AP / KAP as a form of professional transparency and accountability and increase public confidence in this profession.

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APPENDIX A.**Research Instruments****SEMI-STRUCTURAL INTERVIEW****AUDITOR PERCEPTION OF KAP AUDIT QUALITY INDICATORS IN SURABAYA**

No.	Question Topic	Answer
1	In your opinion, how important is it to maintain audit quality in every audit assignment	
2.	In your opinion, what factors shape audit quality	
3.	From answers 1 and 2, what do you think is the definition of audit quality	
4.	Are you aware of the ED Audit Quality Indicator Guide published by IAPI in October 2016	
5.	If the answer is yes, what has been done by the KAP where you work in addressing the rules	
6.	If the answer is no, what is the KAP where you have a guide / guideline that maintains the quality of the audit	
7.	Do you think that the instruction is sufficient enough to assess an audit fulfilling quality audit criteria	
8.	Continued points 6. Exposure Draft Guidance Indicator KAP explains several Audit Quality indicators such as: 1. SPM 2. OTK KAP 3. REVIUW PIHAK INTERNAL & EKSTERNAL Have you ever heard and understood the meaning of the indicator	
9.	SPM indicator: 9.1. Agree to you that each engagement contains documents showing the responsibility of personnel to comply with the SPAP, CODE of ETHICS and other applicable provisions 9.2. In your opinion, how to control so that the reporting report is in accordance with the conditions	

10.	<p>What is your perception regarding guidelines and documentation related to the process starting from client acceptance, audit planning, evaluation of misstatements, formulation of engagement reports and TCWG communication owned by KAP in maintaining audit quality</p>	
11.	<p>OTK KAP indicator:</p> <p>11.1 What do you think about the existence of a formal organizational structure & governance guidelines in KAP</p> <p>11.2. What do you think of the pattern of communication between fellow public accountants in decision making</p> <p>11.3 What do you think about the ratio of the area of the room to the number of KAP personnel</p> <p>11.4 Frequency of time the AP partner handles the KAP OTK</p>	
12.	<p>External and Internal Review Indicators:</p> <p>12.1. what do you think P2PK reviews in encouraging audit quality improvement</p> <p>12.2. do you think that a P2PK review in a year is needed to encourage the improvement of the audit quality of KAP</p>	