

Perceptions of Public Accountants on Professional Skepticism, Competence, Independence, Integrity, and objectivity to audit quality

NI NYOMAN ALIT TRIANI
ni.nyoman.alit-2016@feb.unair.ac.id

ABSTRACT

Audit quality indicates performance level of Public Accountant (AP) and Office of Public Accounting (*Kantor Akuntan Publik/KAP*). The purpose of this study is investigate perceptions of AP in Surabaya about professional skepticism, competence, integrity, and objectivity of audit quality. This study applies survey method, by distributing questionnaires on 64 AP from 19 registered KAP. List of AP is based on KAP directory year 2017 in East Java areas. Data is analyzed with Ordinary Least Square (OLS) technique. The preliminary results indicate that skepticism and integrity has a positive effect on audit quality. This study also conducted additional tests regarding impact of AP's individual characteristics on audit quality. WE focus on individual characteristics such as: gender, work experience, age, position in office, length of education and training. Regarding individual characteristics, this study find that female accountant public, having longer work experience, and being mature in age have positive influence on audit quality. Test on simultaneous effect indicate that being female, skeptics and having integrity have positive effect on audit quality.

Keyword: Skepticism professional, integrity, competence, audit quality

INTRODUCTION

Client such as stockholders and stakeholders need high quality of information regarding which Public Accountant (KAP) to be chosen as a partner. Perceptions about service quality among KAP become an important indicator for clients as well as strategy for competition among KAP (Hackenbrack & Hogan, 2005). Duff (2009) states that the current issues of business globalization, commercial practices, and dissatisfaction from stakeholders are about audit quality, and the focus only how to improve the quality of public accountant services. Morton and Scott (2007) state that client's perception of service quality is associated with the intention or decision to use the other services of a public accountant or the same Public Accounting Firm (Butcher, Harrison, & Ross, 2012).

There are many factors affecting audit quality. Among such factors, auditor competence is one of the important factors in improving audit quality (Al-khaddash, Nawas, & Ramadan, 2013). Abbott, Daugherty, Parker, & Peters (2016) states personal competence can encourages auditors' ability to perform tasks diligently and in accordance with professional standards (e.g, IAASB [2013]). Personal independency and competence can influence audit quality simultaneously or differently. Independence is sometimes framed with objectivity or as a means of protecting from biases, conflicts of interest, or undue influence of others that would override professional judgment.

On the other hand, skepticism has an important aspect for improving audit quality. Awareness on public skepticism has increase since the occurrence of Enron and WorldCom cases. Both corporates employ high standard auditors for supervising their financial

performance. The collapse of both corporate after issuing qualified financial report as alarm for paying attention on audit quality. To improve auditor skepticism, the regulator has issued section 206 of the Sarbanes Oxley Act (SOX) 2002) to governs the provision of Public Accountant services. KAP is not allowed to provide attestation and non-attestation services simultaneously which will create the independence of an auditor.

Auditing standards indicate professional skepticism as an attitude that includes the mind and awareness of possible fraud (AICPA 2011c), while Nelson(2009) defines professional skepticism as a "high risk assessment". In practice, auditors choose whether they will evaluate their managers in terms of their honesty or dishonesty (eg, Peecher, 1996; AICPA 2007; and COSO 1992). Some studies show that auditors are sometimes skeptical, but sometimes focus on client honesty (Peecher, David Piercey, Rich, & Tubbs, 2010). Regulators suggest that auditors use a professional skepticism approach (Nelson 2009).According to this approach, by maintaining the attitude of skepticism will improve auditor competence.

Personal competenceplay an important role on audit quality, through skill and intelligent of auditors. Rai (2008) argues that competence is a qualification that is required by the auditor to improve audit quality. Auditor should have good personal qualities, sufficient knowledge, and specialized expertise in the field to ensure their work properly. An auditor has a role as a controller and safeguard for satisfying public interest that associated with finance. In carrying out the audit role, they are responsible for planning and conducting audits to obtain reasonable assurance whether the financial statements are free of material misstatement, the auditor should be supported with sufficient competence. In addition to the independence competence of the auditor will also improve the quality of the audit.

Public Accountants are also required to maintain their independence in providing audit services to their clients. The issue of auditor independence begins when the auditor uses their audit experience as a means of getting engagement with clients in transition or simply looking for opportunities to re-engage. Lennox (2005) states that concerns about collusion with audit clients occur before the auditor completes the engagement with the client. In this cases auditor and the client may negotiate for lucrative employment contract. This practices cause the auditor unable to confront management with the problems they discovered during the audit process.

Government of Indonesia in 2016 through IAPI has published the draft of quality audit exposure. The issuance of this draft exposure are for improving audit quality in Indonesia. IAPI also conducts supervision on Public Accountants and Public Accounting Firm through the Center for Professional Financial Development (P2PK). P2PK conducts annual supervision on Public Accountant and Public Accountant Office, which is announced through online. Therefore,Public Accountant and their users of information can observed which Public Accountant is getting sanctioned and which one is not. This announcement has specific purposes, i.e to give deterrent effect to Public Accountant.

The number of sanctions given to the Public Accountant (AP) and Public Accounting Firm (KAP) is an indication of the low quality of existing audit. AP may be subject to sanctions in the form of administrative sanctions and criminal sanctions. The heaviest administrative sanctions imposed on Public Accountant is sanction for revocation of permits. When an AP is sanctioned for revocation of their license, then the concerned can no longer apply as a public accountant.

Based on the P2PK report, the announces sanctions for the AP in a number of years, indicated that in 2015 P2PK through the Minister of Finance announces an numbers of AP

being revoked. In 2016 there are 8 APs closed or frozen by the Minister of Finance. The larger the number of sanctions imposed by P2PK imply the lower quality of audit. The number of cases that hit AP, indicates the low quality of audits in Indonesia. In Indonesia there are two supervisors for AP and KAP namely Financial Services Authority (OJK) and P2PK. OJK and P2PK as supervisors will announce sanctions for AP and KAP to the public in every year. Data in Indonesia shows there are still many cases that befall AP and KAP it shows still low quality audit. Audit quality shows a performance of AP and KAP.

Altintas(2010) shows factors that affect auditors' and managers' perceptions of audit quality in Turkey. Altintas defines audit quality as auditor compliance with "professional agency rules", "auditor competency level", and "audit firm has its own work standards." The audit standards are expected to make an important contribution to the quality of the audit (Beattie, Fearnley & Hines, 2013). According to these researchers, there are about 36 factors that influence audit quality. However, among these factors, probably only nine factors can be implemented in Indonesia, due to data limitation.

New regime that focuses on compliance process is being introduced. This regime is supported with high cost conditions but for limited profit. This regime is consistent with over-reaction rules, in over-reaction will see the information available to predict prediction error by using the information available at the time the forecast is made (Bordalo, Gennaioli, Ma & Shleifer, 2018). The better audit qualities the higher probability to find violations in the client's accounting system and report the violation, reported in the study (DeAngelo, 1981).

Studies of Butcher *et al.*, (2012) show considerable research on the perceptions of audit quality attributes (eg, Schroeder *et al.*, 1986; Carcello *et al.*, 1992; Aldhizer, Miller & Moraglio 1995; Davis 1995; Behn *et al.* 1997; Chen, Shome & Su, 2001; Kilgore, 2010). The differences in this study used the audit quality variables issued by the Indonesian Institute of Certified Public Accountants (IAPI) in the draft exposure of the 2016 audit quality indicator guidelines. The audit quality is proxied by 6 indicators including: timely; concise; contains the main points; not excessive; not misleading; as well as containing reliable information, this indicator is derived in a questionnaire designed on a likert scale.

The latest literature from Baah & Forgarty (2016) uses the auditor's survey responses on their perceptions of audit quality in the audit industry. This study shows the audit quality literature to report what they actually do in the audit.

This study shows that audit practitioners' perceptions of the factors that determine the quality of the audit should be strongly considered to achieve the desired audit. This study aims to examine perceptions of AP in Surabaya on professional skepticism, competence, integrity, and objectivity on audit quality. Our research methodology used survey method. This study uses data during 2017 and the reason for the decision in 2017 is to see the perception of AP and KAP against the exposure draft issued by IAPI in 2016 in improving audit quality in Surabaya. This study uses 11 attributes that are derived into questionnaires. This study uses data retrieval in 2017 and the reason for the decision in 2017 is to see the perception of AP and KAP against the exposure draft issued by IAPI in 2016 in improving audit quality in Surabaya. This study uses 11 attributes that are derived into questionnaires. Selection of the questionnaire attributes referring to the study conducted (Butcher, 2013). Survey method is chosen by distributing questionnaires at 69 APs from 19 KAPs registered in KAP directory in 2017. The reasons for the selection of Surabaya or East Java in Surabaya the second largest city in Indonesia and the second largest number of KAPs in Indonesia after Jakarta. From the main examination of this study shows skilled positive professional skepticism on audit quality, the application of professional skepticism

should be applied by the AP in every task as an auditor. Integrity also shows a positive influence on audit quality, integrity is a fundamental character set for professional recognition that demonstrates the quality of public trust. In the supplementary stage of this study, gender has a positive effect on audit quality. Gender is measured by variable dummy 1 if the auditor is female, female auditor will be more careful in conducting audit examination. Work experience shows a positive influence on audit quality, work experience will be very influential for AP in implementing audit. The more experienced the AP will have a deeper and more thorough understanding of the audit. Age shows a negative effect on audit quality, the older age of AP will decrease the quality of audit. This result contradicts the existing theory, the results supported by the data obtained from the questionnaire of 69 AP. From a number of questionnaires, 14 percent of total APs with an age range between 30-35; 54, 62 and 67 who have less than 40 hours of training hours that mostly have senior audit positions and come from local KAP.

The organization of this paper will be structured as follows. Firstly, it will discuss the review literature and the development of hypotheses. Secondly, it will discuss methodologies, focusing on presentation data and analyzing results, conclusions and suggestions.

THEORETICAL FRAMEWORK AND HIPOHESIS REGARDING

AUDIT QUALITY

The term of audit quality is more emphasized on audit quality communication as indicated by audit quality transparency report. The Audit Quality Transparency Report is ratified in accordance with the mechanisms and governance of decision making applicable in the Firm. The audit standard implies that audit quality is achieved by issuing an audit report "in accordance" with generally accepted accounting principles. Audit quality is a complex concept and cannot be defined simply (Financial Reporting Council 2006; Bonner, 1999). Francis(2011) argues that there is a gradation of audit quality across the whole set of low quality and high quality audits, and that quality is influenced by every element within the framework.

The Audit Quality Transparency Report here will be explained in accordance with the draft of audit quality indicator guidelines issued by IAPI in 2016. Transparency Audit quality consists of:

1. Information about general explanation of KAP including legal form of business license of KAP, name and number of public accountant license holder, number of professional and support staff, general information, organizational structure and name of person in charge, establishment, office address of branch location if any, branch.
2. Information on the name, type and form of international cooperation if any, including the date of approval of registration at the Minister of Finance and the management structure
3. An explanation of the fulfillment of the quality indicators set forth in the audit quality indicator guidelines issued by IAPI in 2016.
4. Explanation of principles of remuneration system for Public Accountant colleagues
5. List of names of audit clients of other financial or assurance reports issued in the current year for clients which are subject to the legal provisions of the audited financial statements are obliged to be published
6. An explanation of the authentication of the Audit Quality Transparency Report and the date of grant.

In preparing the Audit Quality Transparency Report, KAP needs to consider good reporting principles such as:

- a. On time
- b. Compact, interesting, easy to understand, and adequate
- c. Loading key points
- d. Not misleading, and contains reliable information

The quality of the audit in this study is defined as a quality audit report. This is demonstrated by the timely submission of financial reports, summary reports, interesting, easy to understand and adequate, containing key points and not misleading, and containing reliable information.

THE CONCEPT OF PROFESSIONAL SKEPTICISM

The application of professional skepticism by auditors is based on a variety of reasons, including large-scale accounting scams that are the catalyst for regulatory reform, such as the Sarbanes-Oxley Act; increased transaction complexity; use of subjective estimates and fair value in expanded accounting, which require a deeper assessment to estimate and evaluate the value reported in the financial statements; inspection findings that deem the lack of an audit of the lack of professional skepticism; and increasing demand by users for reliability and confidence in financial reporting. (Glover & Prawitt, 2014)

The academic literature describes various perspectives of skepticism, referring to the view of doubt, which assumes the level of carelessness, incompetence, or dishonesty of financial statement makers. This complies with the requirements in the audit standards to assume significant risks in revenue recognition, regardless of previous company experience. Nelson(2009a) suggests regulators should take a perspective of doubt in their inspections, referring to the lack of professional skepticism as a contributing factor to audit failure. Nelson (2009a) uses an allegedly skeptical approach to the overall audit. Auditing standards take a neutral perspective. For example, " the auditor does not assume that management is dishonest or assumes unquestionable honesty " (see PCAOB 2003, AU 230.07-09; AICPA 2012, AU 200.A26).

Skepticism does not end by itself and is not meant to encourage conflicting micro-management. This is an important element of professional objectivity required in the supply chain of financial reporting. Skepticism not only increases the likelihood of fraud being detected, but also the perception that cheating will be detected, which reduces the risk of cheating. The International Audit Standard establishes professional skepticism as an attitude that includes thinking and critical assessment of audit evidence. They explicitly ask the auditor to plan and conduct an audit with professional skepticism recognizing that the circumstances causing the financial statements to be materially misstated.

There are three elements of professional skepticism. These include: attributes, actions and mindsets in the audit process and are an integral part of audit quality. This professional skepticism element interacts dynamically as the auditor responds to the conditions and pressures that change or arise during the audit. Attributes (knowledge, skills and abilities) during doing audits should be conducted by people who have adequate technical training and capacity as auditors. Auditors should be assigned and supervised commensurate with their level of knowledge, skills and abilities so they can evaluate the audit evidence they are examining. Mindset (attitude) - the auditor does not assume that management is dishonest or considers honesty without question. In exercising professional skepticism, the auditor should not be satisfied with persuasive evidence because of the belief that management is honest. The auditor must engage in a mindset that recognizes the possibility of material misstatement because fraud can occur, regardless of any past experience with the entity and regardless of the auditor's beliefs about management's honesty and integrity. Action (critical assessment) - collecting and evaluating objectively audit evidence requires the auditor to consider the competence and adequacy of the evidence. Because evidence is collected and evaluated during the audit, professional

skepticism should be conducted throughout the audit process. (Glover & Prawitt, 2014). The proposed hypothesis is:

H₁: Professional skepticism affects audit quality

AUDIT COMPETENCY

Demands competence in auditing and accounting, including adequate training and experience in all aspects of the auditor's work. Currently the auditor profession has increased the emphasis on auditing and accounting on professional education programs for auditors to ensure that they follow the latest ideas and techniques in auditing and accounting. Gul et al. (1994) states "audits should be conducted and prepared professionally because people who have adequate training, experience and competence in the audit". Auditors are expected to have academic training in accounting, taxation, auditing, and other fields related to their profession. In addition they must receive further training, both formal and informal, throughout their careers. Hermanson et al. (1993) states that Public Accountants must pass the CPA exam, they must keep up with current accounting, auditing and taxation developments. In fact, more jurisdictions now require the CPA to continue education to retain their right to practice. According to Noor (1996) the success of any profession may depend on three main things as follows: Further information such as continuing professional education, and minimum professional qualification level.

Mautz and Sharaf (1986) show the wise auditor quality, which states that wise practitioners are assumed to have knowledge of philosophy and audit practice, have the level of training, experience and skills common to the average independent auditor. Public Accountants must have the ability to recognize indications of irregularities, and to keep abreast of developments in preparation and detection of irregularities. The second hypothesis in this study as follows:

H₂: Competence of auditor impinges on audit quality

INTEGRITY

Two prominent business ethicists, Solomon (1993, 1999) and Richard DeGeorge (1993) developed the concept of virtue (including integrity) as the foundation of abandoned business ethics. (Mintz (1995) shows a brief explanation of the theory of virtue and its application to accounting), while Solomon (1993, 1999) emphasizes the notion of integrity as wholeness: 'wholeness of virtue, wholeness as a person, wholeness in the sense of becoming an integral part of something greater from that person " (Solomon, 1999). Integrity is a characteristic that people possess (ie, people have or do not have integrity), as a unity or coherence of personality. Thus, integrity is closely related to virtue, but it is not a virtue, not in the same sense as honesty, trust, and other virtues (Solomon, 1999). DeGeorge (1993) focuses on the actions of people, so the concept of operative is a person acting (or failing to act) with integrity, not whether a person has the nature of integrity. Acting with integrity means a person acting in accordance with the highest accepted norms of conduct and imposing the norms demanded by ethics and morality. Solomon (1993, 1999) and DeGeorge (1993) declare the rules have a legitimate role (Gaa, 2007)

Integrity is a rejection of the compliance approach, as it requires behavior above minimum morality. The adherence approach is to see how closely the minimum of morale (often regarded as a legal limit) a person can stop, but still act with integrity requires to determine how to exceed the minimum that should be done in certain situations. Acting with integrity is different from the compliance approach by other means, because the norm applies, not imposed by outsiders, such as legal authorities (Gaa, 2007).

Bouhawia, Irianto&Baridwan (2015) show that integrity exists between the cause and effect of the hypothesis by the method and its size. If the test results are not appropriate, the exact cause-effect relationship described in the hypothesis does not exist. Thunabat(2010) indicates the auditor must be honest and honest in all of his professional relationships; this requires that its name should not be associated with a report or distorted or misleading information or accounts prepared with omission, incomplete or some kind of ambiguity leading to misleading. To maintain the auditor's trust by public opinion, the auditor must perform all professional responsibilities with the highest integrity (Arens&Loebbecke, 2000:83). The ethical criteria require integrity in winning customers, maintaining the dignity of the profession in addition to cooperation with its peers in all matters (Muhammad, 2011:218).

AICPA (2016) defines Integrity is a fundamental character set for professional recognition, which demonstrates the quality of public trust. Service and public trust should not be subordinated for personal gain and profit. Integrity is measured in terms of what is right and fair. Integrity requires a member to observe both the form and spirit of technical and ethical standards; the circumvention of those standards is subordinated to the assessment (Jelinek, 2018).

The autonomous choice is essential for integrity, so it is necessary to consider the question of the extent to which the auditor is capable of acting with integrity. There are two aspects to this problem. Firstly, it is what auditors like as individuals. It is assumed that they are not much different, as a group. That is, some have high integrity, some have none, and most are in between. This means that, in a group, they act with integrity on many occasions, but are also capable of acting in accordance with minimum morale (and less than some time). Secondly, sometimes acting with integrity will be a worse agent, at least in the short term, because doing so may require the interests of others regardless of their impact on themselves. This suggests that institutional structures can make it difficult for people to act with integrity on certain occasions if necessary. Actually, the main reason for the independent rule; meaning they define the institutional structure that limits the temptation to the auditor by raising the minimum morale. With weaker regulation, situations where investor interests can be compromised require a measure of integrity, whereas a corresponding set of rules sets the appropriate ethical standards that do not need them (Gaa, 2007). The third hypothesis test proposed in this study is:

H₃: Integrity affects audit quality

ADDITIONAL HYPOTHESES TEST
WORK EXPERIENCE

Work experience as a process of learning and behavioral development, both in terms of formal and non-formal education. Work experience will be very beneficial to AP in improving their performance and will have an impact on KAP's reputation (Singgih&Bawono, 2010). Experience will provide a better teacher who may not get from formal and nonformal education. This is supported by statements from (Purnamasari&Christmastuti, 2006) states that an employee with high work experience will have an advantage in detecting, understanding, and looking for the cause of the error. This is also in line with the study of (Sukriah, Akram&Inapty, 2009) also found that the work experience, independence, objectivity, integrity and professional competence of auditors simultaneously have an effect on audit quality. The same is also supported by the study (Carolita&Raharjo, 2012) stated that the working experience and experience of the auditor can improve the audit quality. The hypothesis for the proposed additional tests is as follows:

H₄: Work experience affects audit quality

GENDER

Gender in the study was measured by dummy variable 1 if the AP was female and zero the other. There are several studies showing that women's AP will be more ethical, supported by a study of (Abed & Al-Badainah, 2013) that asks female auditors to encourage ethical and ethical conduct in professional code and assessed for honesty, integrity and trust. On the other hand (Gold, Hunton, & Gomaa, 2009) emphasizes that female auditors are more at risk in audit assessments and emphasize moral development (Bernardi & Arnold, 1997); (Schubert, 2006). Recent studies of (Al-Dhamari & Chandren, 2017) demonstrate a valuable contribution to the positive effect of the signing of a female audit partner of the Big-4 audit firm on the relevance of the value of accounting information. The proposed supplementary hypothesis is as follows:

H₅: Gender affects audit quality

KAPSIZE

(Francis, Yu, Francis, & Yu, 2009) found that larger firms are predicted to have higher quality audits for SEC registrants due to greater internal experience in managing these employees. These findings control the client's risk factors and to control the characteristics of other auditors. On the other hand (Choi, Kim, Kim, & Zang, 2010) provide a larger example of KAPs tend to have a larger collection of audit personnel who can share their understanding and knowledge of existing and potential business operations and internal control systems they spend the audit resources more efficiently. The proposed supplementary hypothesis is as follows:

H₆: KAP size affects audit quality

RESEARCH DESIGN AND SOURCE OF DATA

The research method used in the study used survey method with questionnaires distribution at 19 KAP and 64 AP in Surabaya. The survey questionnaire (designed following Dillman's Famous Design Methods (2000)) consists of two parts. The first part of the questionnaire contains demographic questions about respondents (e.g., Education level) and certifications owned by auditors (eg, A-CPAI, CPAI or CPA). The final question asks respondents: 'the auditor will maintain its competence by following continuing professional education in accordance with established standards (eg < 40 hours a year or 40 hours of training in one year). The second section gives the respondents a list of 14 attributes that are derived in 17 questions. The questionnaire in this study used a five-point linkert scale ranging from 0 to five. In this study audit quality is measured by the draft exposure derived by IAP in 2016 which is elaborated with three questionnaire questions. Some of the questionnaire question attributes are referenced from some of the sources shown in Table 1 below

Table 1 Variable Use in this Study

No	Audit quality attribute	Literature / source
1	The last level of education owned by the audit team	Common standards
2	Audit team has certification such as A-CPAI / CPAI / CPA	Carcello et al., (1992), Aldhizer et al., (1995)
3	Auditors will follow continuing professional education and have a standard training hour of at least 40 hours per year or equivalent to 40 SKP	UU AkuntanPublikdananggota IAPI Schroeder et al., (1986); Carcello et al., (1992)
4	The team audit should not assume management to be completely honest (maintain professional skepticism)	Carcello et al., (1992); Behn et al (1999); Pandit (1999); Chen et al., (2001)
5	The auditor performs an audit engagement having an adequate understanding of the accounting and auditing standards	UU AkuntanPublik Carcello et al., (1992); Davis (1995); Behn et al., (1999); Pandit (1999)
6	KAP will not provide consultant services when they conduct an audit engagement with clients	Carcello et al., (1992); Chen et al., (2001)
7	The engaging audit staff will always use their professional ethics at work	Carcello et al., (1992); Davis (1995); Behn et al., (1999); Pandit (1999); Chen et al., (2001)
8	Each team member will always maintain an independent attitude	Behn et al., (1999)
9	The size of KAP will show the performance and number of employees owned	Chen et al, (2001)
10	KAP has strict guidance on procedures to be completed on procedures that must be completed before signing the audit report	Schoeder et al., (1986); Chen et al, (2001)
11	The number of hours spent by the audit team for audit (from the start of fieldwork to the date of the audit report) is commensurate with the quality audit	Aldhizer et al., (1995)
12	Auditors in delivering audit reports on time	Darft exposure IAPI
13	The audit report will be short, interesting, easy to understand and adequate	Darft exposure IAPI
14	The auditor in preparing the report contains the main points, not misleading and contains reliable information	Darft exposure IAPI
15	Auditor's working period, and position	Experience

This study used a questionnaire survey of 64 APs and returned only from 19 KAPs registered in the 2017 KAP directory. Surabaya, Surabaya (East Java) is the second largest city in Indonesia and the second largest number of KAPs after Jakarta. Time used to collect this data for 1 month is August of 2017. In the dissemination of questionnaire survey in this study using the character of a certain position. In this study limited the survey fillers, among others senior audit, Ass. Manager, Manager, supervisor and partner / associate. Table 2 below shows the category names and attributes used in this survey.

Table 2 audit quality category

Category name	Sub-category	Sub-category name	Survey attribute no
Competence	1	Reputation	1
			2
			3
Skepticism	2	Capability	4
			5
			6
			7
Independent	3	Integrity	8
			9
			10
	4	Objectivity	11
			12
Audit quality	5	Experience	13
			14
			15
			16
			17

The OLS analysis test here to determine the variable factors affecting audit quality is also the main test model performed on model 1. While additional testing is done in model 2, and simultaneous testing for models one and two are shown in the analysis model below.

$$AQ = \alpha_0 + \alpha_1 Scept + \alpha_2 compt + \alpha_3 int + \alpha_4 object + \varepsilon \dots(i)$$

$$AQ = \alpha_0 + \alpha_1 Gen + \alpha_2 WE + \alpha_3 Age + \alpha_4 Pos + \alpha_5 Edu + \alpha_6 Trai + \varepsilon \dots(ii)$$

$$AQ = \alpha_0 + \alpha_1 Gen + \alpha_2 WE + \alpha_3 Age + \alpha_4 Pos + \alpha_5 Edu + \alpha_6 Trai + \alpha_6 Scept + \alpha_7 Comt + \alpha_8 Int + \alpha_9 Object + \varepsilon \dots(iii)$$

Where:

- AQ : Audit quality
- Scept : Scepticism;
- Compt : Competency;
- Int : Integrity;
- Object : Objectivity;
- Gen : Gender;
- WE : Work experience;
- Age : Age;
- Pos : Posisi;
- Edu : Education;
- Trai : Training.

RESULT AND ANALYSIS

Table 3 shows the results of the statistic description. The dependent variable is audit quality. The independent variables are competence, integrity and skepticism. The competencies of each AP are seen from the number of hours of Professional Continuing Education (PPL) training. In the exposure draft issued IAPI the number of hours of

minimum training followed by each AP for 40 hours in a year. Mean value of competence of 0.688, SD value of 0.4671 with minimum value of 0 and maximum 1. Certification owned by the AP is assessed from three certifications held by AP including A-CPAI; CPAI; and CPA. The highest certification of the profession of public accountants in Indonesia is a CPA which is an individual-based certification. This certification is based on the law number 5 of 2011 concerning Public Accountant and the implementation regulation through the Minister of Finance Decree No. 443 / KMK.01 / 2011 on the establishment of the Indonesian Institute of Certified Public Accountants as the Association of Public Accounting Professionals as referred to in the law number 5 of 2011, and Regulation of the Minister of Finance No. 17 / PMK.01 / 2008. Certification of public accountant is one of the requirements required for the issuance of an individual practice license by the Accounting and Appraisal Center of the Ministry of Finance of the Republic of Indonesia. The mean value of the certification is 65,234 and the elementary school is 14,514 the minimum is 0 and the maximum is 75. Professional skepticism is the core of audit quality and is essential from all aspects of the audit of planning and risk assessment to the critical assessment of audit evidence in making conclusions. the mean value of skepticism is 79.938 SD of 10.01 the minimum value is 56 and the maximum value is 100. Integrity implies deep honesty, internal consistency and sound moral principles in the workplace (McFall, 1987), its mean value is 79.5 its minimum value is 58 and its maximum value 100. Objectivity will reduce the influence of past personal experiences, idiosyncratic world views or opinions of the data of its time (eg, Fiss 1982). Objectivity will not eliminate the role of assessment, they will demand a fairly clear ground in fact for all key audit decisions. Mean objectivity value 76.688; the primary value of SD 10,291 is the minimum value 50 and the maximum value is 100. From the descriptive statistic results show if the larger mean value will occur heteroscedasticity, and vice versa if the mean value is smaller than this SD will show more homogeneous data.

In this descriptive statistic, there are several variables. The gender variable is measured by dummy where 1 = female and 0 male, KAPA variable is also measured by dummy variable 1 = foreign affiliated KAP and 0 if KAP is not affiliated with foreign KAP. Study of education level owned by Public Accountant is Strata 1 and Strata 2. Certification of Public Accountant is CPAI and CPA percentage of AP number who have CPAI certification equal to 0,32 and who have CPA certification equal to 0,67 from total sample used.

Table 3: statistical result description of each variable

Variable	Dependent Variable Audit Quality				
	Obs	Mean	Std.Dev.	Min	Max
Gender	64	0.438	0.5	0	1
Works Experience	64	5.742	5.388	1	35
Age	64	31.75	10.071	22	69
KAPA (firm audit Afialiasi with BIG N)	64	0.25	0.436	0	1
Position	64	25.938	20.985	0	100
Education	64	28.125	8.333	25	50
certified (A-CPAI, CPAI, CPA)	64	65.234	14.514	0	75
Competency	64	0.688	0.4671	0	1
Skepticism	64	79.938	10.01	56	100
Integrity	64	79.5	10.549	58	100
Objectivity	64	76.688	10.291	50	100
Quality	64	78.656	9.169	50	100

Table 4 below shows the corresponding results of multiple APs and KAPs for the six category attributes. OLS test for first model for gender testing, work experience, age (year), position, education and training. On testing this model shows Gender significant value on audit quality of 3,778; work experience with value 0.691; Age measured by years with a value of -0.336. with a R2 value of 0.174 or 17%

While column 2 for the second OLS test for testing the one model for four test attributes are competence, skepticism, integrity, and objectivity. In this second OLS testing shows skepticism with value 0.305 and integrity with value 0.467 with value R2 equal to 0.690 or 69%

The third column for the third OLS model 3 test which is for the ten test attributes include: Gender, Work experience, Age, Position, Education, training, competence, skepticism, Integrity, and objectivity. In this test model shows Gender with a value of 2544. skepticism with a value of 0.292. integrity with value 0.504 and value of R2 equal to 0.71 or 71%.

Table 4: T test regression results for each variable

Independent Variables	Dependent Variable Audit Quality		
	Model 2	Model 1	Model 3
Constant	75.38*** -7.005	11.91* -6.376	13.62 -8.282
Gender (1 if women 0 others)	3.778* -2.248		2.544* -1.402
Work Experience	0.691** -0.333		-0.0445 -0.218
Age (Year)	-0.336* -0.176		-0.0604 -0.112
Position	0.0728 -0.0578		0.0159 -0.0363
Educatioan	0.0508 -0.149		-0.0466 -0.0955
Training (Kompetency)	0.0766 -0.0796		0.0213 -0.0517
Competence		-1.707 -1.499	-1.464 -1.536
Scepticism		0.305*** -0.0841	0.292*** -0.0896
Integrity		0.467*** -0.0846	0.504*** -0.0985
Objectivity		0.0842 -0.0762	0.0419 -0.0853
Observations	64	64	64
R-squared	0.174	0.69	0.719

Standard errors in parentheses, Notation *** p<0.01, ** p<0.05, * p<0.1

CONCLUSION

The purpose of this study is to examine perceptions of AP in Surabaya on professional skepticism, competence, integrity, and objectivity on audit quality by issuing a draft exposure from IAPI to improve audit quality. This study uses OLS analysis (multiple regression). Collection of this survey as much as 64 observers from 19 KAP who returned the questionnaire. This study found two indicators that have a positive effect on audit quality, namely skepticism and integrity variables. While the other two variables show no effect on audit quality, among others: competence and objectivity.

Skepticism shows a positive influence on audit quality, the application of professional skepticism should be applied by an AP in every task as an auditor. The various regulations also indicate and require the AP to always maintain the attitude of professional skepticism in the implementation of the audit. These results are also supported by studies conducted by Glover & Prawitt, (2014); Nelson (2009b); Gaa (2007); and Bouhawia et al., (2015). Integrity shows a positive influence on audit quality. Integrity is a fundamental character set for professional recognition, which demonstrates the quality of public trust. This is also supported by a study conducted by Gaa (2007); Bouhawia (2015); Jelinek (2018).

Gender shows a positive influence on audit quality. Gender in the study was measured by dummy variable 1 if the AP was female and zero the other. There are several studies that show AP women will be more ethical. Female auditors will be more careful in conducting audit checks. This result is also supported by (Abed & Al-badainah, 2013; Gold et al., 2009; Bernardi & Arnold, 1997; Schubert, 2006; Al-Dhamari & Chandren, 2017; Breesch & Branson, 2009).

Work experience shows a positive influence on audit quality. Work experience will be very influential for an AP in conducting the audit. The more experienced the AP will have a deeper understanding and more teriliti in conducting the audit. This result is also supported by Singgih and Bawono, 2010; Purnamasari & Christmastuti, 2006; Sukriah et al., 2009; Carolita & Raharjo, 2012; and Bouhawia et al., 2015)

Age here shows a negative effect on audit quality, the older age of AP will decrease the quality of audit. This is contrary to the existing theory, the older the AP age will add independently from an AP and further add to the work experience of an AP. Work experience will provide more understanding in conducting the audit. This result contradicts the existing theory because of some of the questionnaire results when conducting this survey there are results showing 14 percent of total APs with an age range of 30-35; 54, 67 and 62 who have less than 40 hours of training hours that mostly have senior audit positions and come from local KAP.

BIBLIOGRAPHY

- Abbott, L. J., Daugherty, B., Parker, S., & Peters, G. F. (2016). Internal Audit Quality and Financial Reporting Quality: The Joint Importance of Independence and Competence. *Journal of Accounting Research*, 54(1), 3–40. <https://doi.org/10.1111/1475-679X.12099>
- Abed, S., & Al-badainah, J. (2013). The Impact of Auditor's Gender on Audit Fees: Case of Jordanian Auditors. *International Journal of Business and Management*, 8(14), 127–133. <https://doi.org/10.5539/ijbm.v8n14p127>
- Al-Dhamari, R. A. A., & Chandren, S. (2017). Audit Partners Gender, Auditor Quality and Clients Value Relevance. *Global Business Review*, 19(4), 1–16. <https://doi.org/10.1177/0972150917697747>

- Al-khaddash, H., Nawas, R. Al, & Ramadan, A. (2013). Factors affecting the quality of Auditing : The Case of Jordanian Commercial Banks. *International Journal of Business and Social Science*, 4(11), 206–222.
- Altintas, A. T. (2010). Perceptions of Auditors and Managers on Audit Quality : a Study in Turkey Denetçilerdn Ve Yönetçilerdn Bağımsız Denetçimdn Kaldtesd Hakkındaki Algıları : Türkdye ' De Bdr Araştırma. *Sosyal Bilimler Dergisi*, (1), 137–150.
- Baah, G. K., & Forgarty, T. J. (2016). *what auditors think about audit quality-A New Perspective on an old issue* (No. 44106). Cleveland Ohio.
- Beattie, V., Fearnley, S., & Hines, T. (2013). Perceptions of factors affecting audit quality in the post-SOX UK regulatory environment. *Accounting and Business Research*, 43(1), 56–81. <https://doi.org/10.1080/00014788.2012.703079>
- Bernardi, R. A., & Arnold, D. F. (1997). An examination of moral development within public accounting by gender, staff level, and firm. *Contemporary Accounting Research*, 14(4), 653–668. <https://doi.org/10.1111/j.1911-3846.1997.tb00545.x>
- Bonner, S. E. (1999). Judgment and decision-making research in accounting. *Accounting Horizons*, 13(4), 385–398. <https://doi.org/10.2308/acch.1999.13.4.385>
- Bordalo, P., Gennaioli, N., Ma, Y., & Shleifer, A. (2018). *Overreaction in Macroeconomic Expectations*. Retrieved from https://scholar.harvard.edu/files/shleifer/files/bgms_march18v1.pdf
- Bouhawia, M. S., Irianto, G., & Baridwan, Z. (2015). The Effect of Working Experience, Integrity, Competence, and Organizational Commitment on Audit Quality (Survey State Owned Companies In Libya). *IOSR Journal of Economics and Finance Ver. II*, 4(2), 60–67. <https://doi.org/10.9790/5933-06426067>
- Breesch, D., & Branson, J. (2009). The Effects of Auditor Gender on Audit Quality. *IUP Journal of Accounting Research & Audit Practices*, 8(3/4), 78–107. Retrieved from <http://search.proquest.com/docview/888521555?accountid=26357>
- Butcher, K., Harrison, G., & Ross, P. (2012). Perceptions of Audit Service Quality and Auditor Retention. *International Journal of Auditing*, 17(1), 54–74. <https://doi.org/10.1111/j.1099-1123.2012.00457.x>
- Carolita, M. K., & Raharjo, S. N. (2012). pengaruh pengalaman kerja, independensi, objektivitas, integritas, kompetensi, dan komitmen organisasi terhadap kualitas hasil audit. (studi pada Kantor AKuntan Publik di Semarang). *Diponegoro Journal of Accounting*, 1, 1–11. Retrieved from <http://ejournal-s1.undip.ac.id/index.php/accounting>
- Choi, J., Kim, F., Kim, J., & Zang, Y. (2010). *Audit Office Size , Audit Quality and Audit Pricing By Audit Office Size , Audit Quality and Audit Pricing. A Journal of Practice and Theory*. <https://doi.org/10.2308/aud.2010.29.1.73>
- DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, 3(May), 183–199.
- Francis, J. R. (2011). A framework for understanding and researching audit quality. *Auditing*, 30(2), 125–152. <https://doi.org/10.2308/ajpt-50006>
- Francis, J. R., Yu, M. D., Francis, J. R., & Yu, M. D. (2009). Big 4 Office Size and Audit Quality. *The Accounting Review*, 84(5), 1521–1552. <https://doi.org/10.2308/accr.2009.84.5.1521>
- Gaa, J. C. (2007). Integrity, Auditor Independence, and The Protection of Investors. *Journal of Service Management*, 12, 27–47. <https://doi.org/10.1108/MBE-09-2016-0047>
- Glover, S. M., & Prawitt, D. F. (2014). Enhancing auditor professional skepticism: The professional skepticism continuum. *Current Issues in Auditing*, 8(2), P1–P10. <https://doi.org/10.2308/ciia-50895>
- Gold, A., Hunton, J. E., & Gomaa, M. I. (2009). The impact of client and auditor gender on auditors' judgments. *Accounting Horizons*, 23(1), 1–18.

- <https://doi.org/10.2308/acch.2009.23.1.1>
- Jelinek, K. (2018). Will and Caroline: Accounting, professional integrity and lobbying. *Journal of Accounting Education*, 43(June 2017), 76–88. <https://doi.org/10.1016/j.jaccedu.2018.04.001>
- Morton, A., & Scott, D. R. (2007). The association between perceived audit firm service quality and behavioural intentions. *The Journal of Contemporary Issues in Business and Government*, 13(2), 17–30.
- Nelson, M. W. (2009a). A model and literature review of professional skepticism in auditing. *Auditing*, 28(2), 1–34. <https://doi.org/10.2308/aud.2009.28.2.1>
- Nelson, M. W. (2009b). A Model and Literature Review of Professional Skepticism in Auditing. *Auditing: A Journal of Practice & Theory*, 28(2), 1–34. <https://doi.org/10.2308/aud.2009.28.2.1>
- Peecher, M. E. (1996). The Influence of Auditors' Justification Processes on Their Decisions: A Cognitive Model and Experimental Evidence. *Journal of Accounting Research*, 34(1), 125. <https://doi.org/10.2307/2491335>
- Peecher, M. E., David Piercey, M., Rich, J. S., & Tubbs, R. M. (2010). The effects of a supervisor's active intervention in subordinates' judgments, directional goals, and perceived technical knowledge advantage on audit team judgments. *Accounting Review*, 85(5), 1763–1786. <https://doi.org/10.2308/accr.2010.85.5.1763>
- Purnamasari, S. V., & Chrismastuti, A. A. (2006). *Simposium nasional akuntansi 9 padang* (No. K-AMEN 04). *Dampak Reinforcement Contingency terhadap Hubungan Sifat Machiavellian dan Perkembangan Moral*. Padang. Retrieved from <https://smartaccounting.files.wordpress.com/2011/03/k-amen04.pdf>
- Schubert, R. (2006). Analyzing and managing risks – on the importance of gender differences in risk attitudes. *Managerial Finance*, 32(9), 706–715. <https://doi.org/10.1108/03074350610681925>
- Singgih, E. M., & Bawono, I. R. (2010). *Pengaruh Independensi, Pengalaman, Due Professiona Care dan Akuntabilitas Terhadap Kualitas*