

Audit Quality Attributes and Audit Client Satisfaction

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Abstract-- This study examined the effect of audit quality attributes towards client satisfaction. The units of analysis in this research are the head of finance, head of internal audit and staff at companies operating in Kujang Cikampek Industrial Area. Results showed that prior experience in auditing, industry expertise, responsive to the company's needs, conduct of audit field work in an appropriate manner, commitment to quality, exercised due care throughout the engagement, and high ethical standards significantly affect client satisfaction, while technical competence in approved accounting standards and auditing standards, independence, interact effectively with the audit committee, executives (partner/manager) actively involved in the engagement, and skeptical attitude throughout the audit engagement does not significantly affect client satisfaction. Simultaneous hypothesis testing indicates that there is a significant effect between audit qualities attributes towards client satisfaction.

Keywords-- Audit Quality Attributes and Audit Client Satisfaction

I. INTRODUCTION

The financial report is a medium to know the financial condition of a company [1]. According to Baridwan [1], financial report is a summary of a registration process and a summary of the financial transactions that occurred during the financial year in question.

In order to provide assurance on the reliability of the financial statements, the financial statements need to be audited, and the profession that can provide assurance over the reliability of the financial statements is a public accounting profession [2].

The same thing was also stated by Messier et al [3] that the demand for auditing can be understood through the need for accountability when business owners hire others to manage their business, as is typical in modern corporations. According to Arens et al [4] the guidance given in auditing standards and other pronouncements developed by the professional bodies help to promote audit quality by providing guidance on competencies required and the processes to be followed in achieving the required level of competence.

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A similar view is expressed by Rittenberg [5] that assuring the audit is conducted in high-quality manner is paramount to fulfilling users' expectations about the auditor's role in the capital market. According to Head of Public Relations of Department of Finance [6] the disobedience of audit standard and procedures caused a decline in audit quality.

The quality of the audit work performed by auditors is not assessable for scrutiny by financial statements users because users are not privy to the working papers of the auditors nor can they observe what the auditors actually did [7]. According to Watts and Zimmerman [8], the demand for high-quality audit services increases when needs for monitoring due to agency problems are higher, potential sources of agency problems and demand for audit quality include the separation of ownership and control, ownership concentration, and the use of debt financing.

II. AUDIT QUALITY

Audit quality is the degree to which a set of inherent characteristics of an audit fulfils requirements, audit quality is obtained by a process of identifying and administering the activities needed to achieve the quality objectives of Supreme Audit Institutions (SAIs) [9]. Rittenberg [5] states that audit quality is assuring that the audit is conducted in high-quality manner are paramount to fulfilling users' expectations' about the auditor's role in the capital market. According to Riyatno [10] that audit quality is something intangible that is difficult to measure and can only be felt by the users of audit services, thus far there is no uniform definition of the quality of the audit.

Buuren [11] states that there are three perspectives to distinguish the quality of the audit, which is: demand side- users of audited information, demand side- providers of audited information, and supply side- providers of audit services. Meanwhile, according to De Angelo [12], there are two perceptions of audit quality, namely: perceived auditor's competence and perceived auditor's independence.

III. AUDIT QUALITY ATTRIBUTES

Attribute is defined as something that is inherent in a case, including the characteristics of the service or goods [13]. The auditor conducted the audit if the quality can meet the requirements or standards of auditing [14], which consists of:

- 1) General Standards: The auditor should have the expertise and sufficient technical training, mental attitude independence and professional proficiency with careful and thorough
- 2) The standard implementation of field work: Planning and supervision of audit, an adequate understanding of the internal control structure, and proof of sufficient and competent audit
- 3) Standard of reporting: Is the financial statements in accordance with generally accepted accounting principles, statements regarding the inconsistencies of application of generally accepted accounting principles, informative disclosures in the financial statements, and express an overall opinion on these financial statements.

Auditor must have competence in the field of audit, shown through an understanding of the standards, understanding of the audit in the electronic data processing environment, an understanding of the rules of regulatory bodies of capital markets, understanding of financial transactions, and understanding of a foreign language [15].

According to the Guidelines of Management Examination [16] audit quality standards consist of :

- 1) Strategic quality which means the examination results should provide information to reports' users in a timely manner.
- 2) The technical quality related to the presentation of the findings, conclusions and opinions or examination suggestions that the presentation should be clear, consistent, accessible and objective,
- 3) Quality process that refers to the process of examination activities since planning, implementation, reporting up to the examination follow-up

Sawyer's [17], stated that an increase in the quality of an audit conducted by the auditor can be measured by:

- 1) Generate useful findings and recommendations.
- 2) The achievement of the goals and objectives of the audit.
- 3) The increasing number of audit work requests.

Meanwhile, according to Arrunada [18] that the dimensions of audit quality is:

- 1) Technical competence
Technical competence is defined as the auditor's ability to detect errors or shortcomings in the financial statement being checked.
- 2) Independence
Independence on the other hand is taken to be the willingness of the auditor to reflect in the audit report all problems and defects he/she has detected in the financial statement.

In Guidelines on audit quality [9], characteristics of audit quality include among: **Significance** – How important is the matter that was examined in the audit? This, in turn, can be assessed in several dimensions, such as the financial size of the auditee and the effects of the performance of the auditee have on the public at large or on major national policy issues; **Reliability** – Are the audit findings and conclusions an accurate reflection of actual conditions with respect to the matter being examined? Are all assertions in the audit report or other product fully supported by the data gathered in the audit?; **Objectivity** – Was the audit carried out in an impartial and fair manner without favour or prejudice? The auditor should base his assessment and opinion purely on fact and on sound analysis; **Scope** – Did the audit task plan properly address all elements needed for a successful audit? Did execution of the audit satisfactorily complete all the needed elements of the task plan?; **Timeliness** – Were the audit results delivered at an appropriate time? This may involve meeting a statutory deadline or delivering audit results when they are needed for a policy decision or when they will be most useful in correcting management weaknesses; **Clarity** – Was the audit report clear and concise in presenting the results of the audit? This typically involves being sure that the scope, findings and any recommendations can be readily understood by busy executives and parliamentarians who may not be experts in the matters that are addressed but may need to act in response to the report; **Efficiency** – Were the resources assigned to the audit reasonable in the light of the significance and complexity of the audit?; **Effectiveness** – Did the findings, conclusions and recommendations get an appropriate response from the auditee, the government and/or parliament?

The Institute of Chartered Accountants in Australia [19] stated that the five driver of audit quality is the culture within an audit firm, the skills and personal qualities of audit partners and staff, the effectiveness of the audit process, and factors outside of the control of auditors. Audit quality is determined by prior experience in auditing, industry expertise, responsive to the client company's needs, conduct of audit field work in an appropriate manner, commitment to quality, exercises due care throughout the engagement, high ethical standards, technical competence in approved accounting standards and auditing standards, independence, interact effectively with the audit committee, executives [partner/manager] actively involved in the engagement, and skeptical attitude throughout the audit engagement [20].

IV. AUDIT CLIENT SATISFACTION

Customer satisfaction is top after-purchase evaluation, where customer satisfaction arises if the results received higher than expectations [21]. Kotler [22] said that satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance [or outcome] in relation to her or his expectations. Service quality relates to audit clients perceptions of how the accounting firm met their expectations [23]. Auditors are in the tenuous position of

ensuring that financial statements are free from material misstatements while at the same time maintaining a positive relationship with their clients, in surveys of chief financial officers, developing good “working chemistry” with the auditor was cited as a factor important for client satisfaction [24]. Behn et al [25] stated that audit quality can affect the client satisfaction, the same thing is expressed by Carcello et al [20] that there is a significant, positive relationship between many of the audit quality attributes and client satisfaction.

V. THEORITICAL FRAMEWORK

The Theoretical framework on this research are how the point of Prior experience in Auditing, industry expertise, responsive to the company’s needs, technical competence in approved accounting standards and auditing, independence, conduct of audit field work in an appropriate manner, commitment to quality, executive (partner/manager) actively involved in the engagement, exercised due care throughout the engagement, interact effectively with the audit committee, sceptical attitude throughout the audit engagement and high ethical standards, affects the audit client satisfaction

VI. RESEARCH METHODOLOGY

The type of research is descriptive verification research, because it describes the variables and observes the correlation of these variables from the hypothesis that has been made systematically through statistical testing. The population in this study is the entire head of finance, head of internal audit and staff at companies operating in the Kujang Cikampek Industrial Area with a total of 14 companies and 56 respondents. The sampling technique use purposive method, data quality test uses the method of successive interval (MSI), validity testing, and reliability testing. Statistical test used multiple regression.

VII. HYPOTHESIS TESTING

The hypothesis test in this study used two ways: simultaneously test used F_test and individual test (partially) used t_test. The hypothesis is formulated as below:

- Ho₁ : Prior experience in auditing not affect audit client satisfaction.
- H₁₁ : Prior experience in auditing affect audit client satisfaction.
- Ho₂ : Industry expertise does not affect audit client satisfaction.
- H₁₂ : Industry expertise affect audit client satisfaction.
- Ho₃ : Responsive to the client company’s needs does not affect audit client satisfaction.
- H₁₃ : Responsive to the client company’s needs affect audit client satisfaction.
- Ho₄ : Technical competence in approved accounting standards and auditing standards does not affect audit client satisfaction.

- H₁₄ : Technical competence in approved accounting standards and auditing standards does not affect audit client satisfaction.
- Ho₅ : Independence does not affect audit client satisfaction.
- H₁₅ : Independence affect audit client satisfaction.
- Ho₆ : Conduct of audit field work in an appropriate manner does not affect audit client satisfaction.
- H₁₆ : Conduct of audit field work in an appropriate manner affect audit client satisfaction.
- Ho₇ : Commitment to quality does not affect audit client satisfaction.
- H₁₇ : Commitment to quality affect audit client satisfaction.
- Ho₈ : Executives (partner/manager) actively involved in the engagement does not affect audit client satisfaction.
- H₁₈ : Executives (partner/manager) actively involved in the engagement affect audit client satisfaction.
- Ho₉ : Exercises due care throughout the engagement does not affect audit client satisfaction.
- H₁₉ : Exercises due care throughout the engagement affect audit client satisfaction.
- Ho₁₀ : Interact effectively with the audit committee does not affect audit client satisfaction.
- H₁₁₀ : Interact effectively with the audit committee affect audit client satisfaction.
- Ho₁₁ : High ethical standards does not affect audit client satisfaction.
- H₁₁₁ : High ethical standards affect audit client satisfaction.
- Ho₁₂ : Skeptical attitude throughout the audit engagement does not affect audit client satisfaction.
- H₁₁₂ : Skeptical attitude throughout the audit engagement affect audit client satisfaction.

VIII. DATA ANALYSIS

The number of questionnaires that had spread as much as 56 copies to 14 companies operating in the Kujang Cikampek Industrial Area. The amount collected after completed by the respondents was 40 copies. Percentage rate that answered the questionnaire is about 71.43%. Based on 40 respondents with 5% significance level, then (r_{table}) is 0.320. On the validity test, the value of $r_{calculated}$ for all the statement items are above the value of the r_{table} . Its means that all the data is valid for the test. And also on the reliability test, the value of $r_{calculated}$ are greater than critical r_{table} , it show that all variables have good reliability, so that each item questions in all these instruments can be further analyzed.

Table 1. Coefficients(a)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	2.687	1.407		1.910	.067		
X_1	.560	.192	.216	2.923	.007	.004	12.233
X_2	.590	.267	.188	2.923	.035	.003	12.938
X_3	.789	.263	.260	2.214	.006	.003	13.065
X_4	.190	.185	.071	2.999	.312	.001	11.946
X_5	-.120	.213	-.042	1.030	.578	.004	12.323
X_6	.443	.210	.163	-5.563	.044	.004	12.426
X_7	.463	.229	.139	2.112	.053	.002	11.916
X_8	.430	.289	.144	2.021	.149	.003	13.804
X_9	.511	.229	.202	1.487	.034	.003	13.341
X_10	.355	.247	.126	2.230	.162	.003	13.159
X_11	.505	.203	.173	2.485	.019	.005	11.982
X_12	-.605	.233	-.224	-2.596	.015	.003	13.046

a Dependent Variable: Y

Table 2. ANOVA(b)

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	562.524	12	48.877	31.756	.000(a)
Residual	39.858	27	1.476		
Total	602.381	39			

a Predictors: (Constant), X_12, X_11, X_10, X_9, X_8, X_7, X_6, X_5, X_4, X_3, X_2, X_1

b Dependent Variable: Y

Structural equation:

$$Y = 2.687 + 0.560X_1 + 0.590X_2 + 0.789X_3 + 0.190X_4 - 0.120X_5 + 0.433X_6 + 0.463X_7 + 0.430X_8 + 0.511X_9 + 0.355X_{10} + 0.505X_{11} - 0.605X_{12} + \epsilon$$

Table 2. Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.966(a)	.934	.904	1.21500	1.722

a. Predictors: (Constant), X_12, X_11, X_10, X_9, X_8, X_7, X_6, X_5, X_4, X_3, X_2, X_1

b. Dependent Variable: Y

Based on the table above it can be concluded that audit quality attribute affect audit client satisfaction as much as 90.40%, and hypothesis testing results show that prior experience in auditing, industry expertise, responsive to the company's needs, conduct of audit field work in an appropriate manner, commitment to quality, exercised due care throughout the engagement, and high ethical standards significantly affect client satisfaction, while technical competence in approved accounting standards and auditing standards, independence, interact effectively with the audit

committee, executives (partner/manager) actively involved in the engagement, and skeptical attitude throughout the audit engagement does not significantly affect client satisfaction. Simultaneous hypothesis testing indicates that there is a significant effect between audit quality attributes towards client satisfaction.

IX. CONCLUSION

The attributes of audit quality affect client satisfaction. To improve client satisfaction, the auditor should prepare appropriate audit planning and audit programs to produce a quality audit, and the auditor should supervise the implementation of audit.

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