

THE IMPACT OF AUDIT FEE, AUDITING EXPERIENCE, AND SOCIAL INFLUENCE ON AUDITOR'S ETHICS AND PERFORMANCE WITH QUALITY CONTROL STANDARDS (SPM) MODERATION

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ABSTRAK

Studi kuantitatif ini menyelidiki hubungan antara etika auditor dan kinerja auditor, dengan fokus untuk mengeksplorasi efek moderasi dari Sistem Pengendalian Mutu (SPM). Penelitian ini melibatkan auditor dari 52 Kantor Akuntan Publik Surabaya, dengan jumlah sampel sebanyak 120 responden. Data primer dikumpulkan melalui kuesioner yang didistribusikan melalui Google Form, dan pemodelan persamaan struktural (SEM) menggunakan SmartPLS v.3.3.3 digunakan untuk analisis data. Temuan mengungkapkan beberapa wawasan kunci. Pertama, biaya audit ditemukan tidak memiliki dampak yang signifikan secara statistik terhadap etika dan kinerja auditor. Namun, pengalaman audit ditemukan berpengaruh signifikan terhadap etika dan kinerja auditor, dan pengaruh sosial ditemukan berpengaruh signifikan terhadap etika dan kinerja auditor. Selain itu, penelitian ini menyoroti bahwa etika auditor berdampak signifikan terhadap kinerja auditor. Selain itu, Sistem Pengendalian Mutu (SPM) ditemukan memoderasi dampak signifikan etika auditor terhadap kinerja auditor, menunjukkan potensinya dalam meningkatkan hubungan ini.

Kata Kunci: Dampak biaya audit, pengalaman audit, dan pengaruh sosial terhadap etika dan kinerja auditor dengan Standar Pengendalian Mutu (SPM) yang dimoderasi.

ABSTRACT

This quantitative study investigates the relationship between auditor ethics and auditor performance, with a focus on exploring the moderating effect of a Quality Control System (SPM). The study involved auditors from 52 Surabaya public accounting firms, with a sample size of 120 respondents. Primary data was collected through a questionnaire distributed via Google Form, and structural equation modeling (SEM) using SmartPLS v.3.3.3 was employed for data analysis. The findings reveal several key insights. Firstly, audit fees were found to have no statistically significant impact on auditor ethics and performance. However, audit experience was found to significantly influence auditor ethics and performance, and social influence was found to significantly affect auditor ethics and performance. Moreover, the study highlights that auditor ethics significantly impact auditor performance. Additionally, the Quality Control System (SPM) was found to moderate the significant impact of auditor ethics on auditor performance, suggesting its potential in improving this relationship.

Keyword: *The impact of audit fee, Auditing experience, and social influence on auditor's ethics and performance with Quality Control Standards (SPM) moderation.*

INTRODUCTION

Business competition has grown as a result of various challenges that businesses, notably public accounting firms, are facing. Due to the close competition in the audit profession, partners must constantly improve their performance by providing high-quality audit report products. The auditors' performance determines the quality of the audit report. As a result, if a Tax Accounting Firm (KAP) wishes to remain competitive, the auditor's performance must be enhanced. According to MacDonald & Colombo (2001), one of the most challenging corporate tasks is to attract, constantly develop, and retain experienced internal auditors.

Audit ethics is one of the aspects that could function as a guide in the auditor's performance. Auditor ethics, as defined by Halim (2015), are moral standards that ought to be adopted as guidance in auditing to provide excellent examinations. Because these ethics are still developed on each individual's morality in practice, corporate ethics continue to be influenced by external factors. Audit fees, audit experience, and social influence are among the aspects that researchers consider could influence auditor ethics. According to research, audit experience improves auditor ethics (Nopriati, 2010). However, no research has been conducted to investigate the impact of audit fees and social influence on auditor ethics. Multiple studies on auditor performance reveal that audit fees alter auditor performance (Vieri, Sukarmanto, & Purnamasari, 2020; Saputri, 2023; Ak-bari, 2021). Auditor experience has had a favorable impact on auditor performance (Hanjani, 2017; Fajarwati, 2019), but no research has taken a look at the effect of social influence on auditor ethics.

To investigate further the impact of auditor ethics on auditor performance, the researcher implemented a Quality Control System (SPM) as a moderation to see if SPM could improve the association between auditor ethics and auditor performance. This moderating link has never been explored.

The aim of this study is to explore how audit fee issues, auditor experience, and social impact influence auditor ethics and performance, and how ethics tempered by the Quality Control System influence auditor performance at KAP in Surabaya. One of the novelty of the current study is an investigation into the impact of audit fees on auditor ethics and the impact of social influence on ethics and auditor performance. Another improvement is the moderating of the Quality Control System in the impact of Auditor Ethics on Auditor Performance.

METHOD

This causality-based quantitative study includes auditors as respondents and draws its research objects from 52 Surabaya public accounting firms (IAPI, 2022). The population size cannot be established with confidence, thus acquiring a quantity sample sizes considering the number of indicators (24) multiplied by 5 yielded 120 respondents. A questionnaire distributed using Google Form was used to collect primary data. SmartPLS v.3.3.3 analytic tool was used to test SEM.

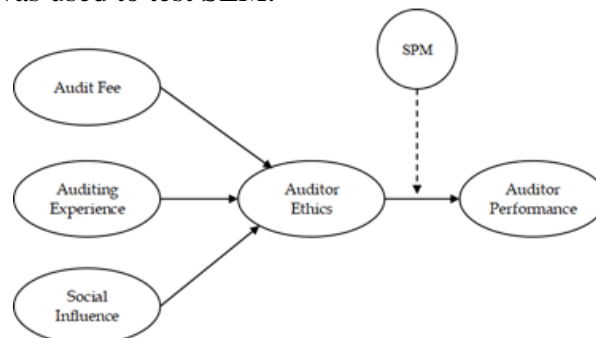


Figure 1. Research framework

DATA ANALYSIS AND DISCUSSION

1. Audit Fees

Following to the study's results, the audit fee has no statistically significant impact on either the auditor's ethics and performance.

In the context of audit ethics, it is important to understand that honesty, objectivity, and independence are critical standards to follow whenever performing an audit. Audit ethics refers to the commitment to perform work with professionalism, honesty, and

transparency, without taking sides or accepting compromises by outside influences, including audit fees.

The same principle should hold true for audit fees, which shouldn't have an impact on the performance of the the examination. Appropriate audit performance counts on the auditor's skill and competence, as well as compliance with legitimate auditing standards. Audit fees, whether high or cheap, shouldn't have any im-pact on the excellence of audit services. As auditors, it is their responsibility to conduct suitable and sufficient examinations in order to acquire sufficient evidence for the claims under audit. The cost aspect should not be used as an excuse to skip mandatory audit procedures or cut corners on the job.

According to the survey results, respondents claimed that they uphold integrity and ethics in their profession. While audit fees are an additional consideration, they recognize the necessity of adhering to audit ethical guidelines and sustaining outstanding audit performance.

2. Audit Experience

Following to the study's results, the audit experience has a significant impact on either the auditor's ethics and performance.

Auditors can gain a fundamental grasp of the crucial role of ethics as a public accountant through various situations that challenge the auditor's integrity, objectivity, and independence. They can develop insights and principles associated with audit ethics by obtaining experience working with experienced colleagues and seniors addressing conflicts of interest or responses to pressure from external influences. In brief, this experience can assist the auditor comprehend that committing to audit ethics is essential for conserving the audi-tor's quality and integrity.

Audit performance tends to improve when an auditor gains experience. Auditing experience provides a more in-depth understanding of the relevant industry, business procedures, and accounting policies. This aids in recognizing the risks connected with the entity being audited thus increasing audit performance quality. Fur-thermore, auditing experience helps to build the technical abilities required for auditing. Auditors gain skills, efficiency, and effectiveness in planning and implementing audit procedures, analyzing financial data, and evaluating audit evidence as a result of this experience. The more experience one has, the better one becomes at handling complex audit jobs and improving the overall audit performance.

3. Social Influence

Following to the study's results, the social influence has a significant impact on auditor's ethics, and audi-tor's performance.

Social influence can be a challenge in the area of auditor ethics. Pressure from superiors or clients to generate favorable audit results or hide noncompliance can put an auditor's integrity and independence to the test. Furthermore, the norms that exist in a given business or work environment might have an impact on an audi-tor's ethics.

Social influence can also have an impact on audit performance. For example, if auditors are intimidated or threatened by particular social influences, such as an authoritarian boss or a dominant customer, they may be unable to carry out the audit objectively or independently. Furthermore, if workplace norms foster ethical compromise or ineffective auditing processes, audit performance may suffer and the quality of the accompa-nying financial reports may be called into question.

Researchers assume there are two possible explanations for such findings. To begin, when interpreted posi-tively, respondents might perceive laws and regulations as external forces. Second, respondents have experi-enced or acquired information that

external factors can affect their ethical integrity and performance. For example, if the norm in an organization is to prioritize financial gain, causing them to follow unethical requests from clients, the auditor may face pressure to liberalize standards in the end.

4. Auditor Ethics

Following to the study's results, the auditor's ethics has a significant impact on auditor's performance.

Auditors' ethics have a substantial impact on their performance as Public Accountants. The concepts of auditor ethics include trustworthiness, integrity, objectivity, independence, and conformity to professional norms. An auditor who follows strong audit ethics will display dependability and honesty in their work, retain objectivity and independence in audit conclusions, and adhere to applicable professional standards. An auditor with strong integrity will always act honestly, fairly, and impartially. This gives assurance that the audit report will be accurate and reliable. Furthermore, retaining objectivity and independence allows an auditor to see facts objectively, free of influence from associated parties. It is critical to ensure that audit judgments are made on the basis of objective audit evidence.

Auditor ethics also add to the auditor's trust and professional reputation. An auditor can develop confidence with customers, stakeholders, and the general public by practicing strong auditor ethics. This trust is essential for preserving long-term client connections as well as establishing a strong reputation in the market. A good reputation aids auditor performance by providing fresh opportunities and more complicated audit projects.

5. Quality Control System (SPM)

Following to the study's results, the SPM moderates the significant impact of auditor's ethics on auditor's performance.

A robust quality control system ensures that auditors comply with professional standards, ethical standards, and regulatory mandates. It establishes a framework for preserving the greatest level of integrity, objectivity, and independence throughout the auditing process. The firm can establish clear expectations for ethical behavior and develop a culture of accountability and professionalism by implementing an effective quality control system. This approach teaches auditors the value of adhering to ethical norms and encourages them to continually display trustworthiness, honesty, and objectivity in their work. It also includes tools for identifying and resolving any ethical concerns or conflicts of interest that may develop throughout the audit.

Moreover, a well-designed quality control system enables constant monitoring and review of audit engagements, ensuring that they satisfy the appropriate quality and performance criteria. It assists in identifying areas for improvement, providing input to auditors, and allowing the firm to take corrective actions as needed. The firm can improve the overall performance of its auditors and provide high-quality audit services to clients by maintaining a robust quality control system.

CONCLUSION

Audit fees do not significantly affect auditor ethics and performance, as highlighted by the study. Regardless of the fees involved, auditors should prioritize ethics such as honesty, objectivity, and independence. It is important to establish clear guidelines, provide training on ethics, and foster an ethical culture to address potential conflicts of interest. Maintaining professionalism, competence, and adherence to auditing standards should remain the primary focus, regardless of fees.

Audit experience significantly influences both the ethics and performance of auditors, according to the study. It helps auditors understand and apply ethical principles

in challenging situations and improves their knowledge of industries and audit procedures. To enhance this impact, organizations should provide diverse experiences, encourage collaboration with experienced colleagues, and invest in training programs focusing on ethics and conflict resolution. By doing so, auditors can further develop their ethical decision-making and improve their overall performance.

Social influence presents challenges to auditor ethics and performance, as pressure from superiors or clients and workplace norms can impact an auditor's integrity and independence. To address this, organizations should establish a strong ethical culture, provide regular ethics training, encourage open communication, and enforce ethical standards. Professional bodies and regulators can also play a role in promoting and supporting ethical behavior. By doing so, organizations can mitigate the negative effects of social influence and ensure auditors maintain high ethical standards in their work.

Auditor ethics significantly impact performance, as found by the study. Upholding traits like trustworthiness, integrity, objectivity, and adherence to professional norms leads to accurate reports and builds trust. Organizations should prioritize ethical training, promote a culture of transparency, and provide support for auditors to enhance ethics and performance.

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