

## Will Audit Fees And Due Professional Care Determine Audit Quality

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### Abstract

The purpose of this study was to analyze the effect of audit fees and due professional care on audit quality at the Palopo City Inspectorate office. The population in this study is all auditors working in the Palopo City Government Inspectorate office. The sampling method used in this study was a saturated sample and a sample of 40 respondents was obtained with complete data and could be tested. The data in this study is primary data obtained through surveys to auditors and processed through SPSS software version 25. The results showed that audit fees had no effect and significant on audit quality, while due professional care had no effect and was not significant on audit quality.

Keywords: Audit Fee; Due Professional Care; Audit Quality

### 1. Introduction

Financial statements are an important instrument for decision making, both from internal and external companies. However, often external auditors find irregularities in financial statements that are not detected by internal parties, whether intentional or not. Financial statements audit aims to assess their fairness. As per PSAK, audit is a systematic process to evaluate evidence on financial statements and compare them with previous facts. Users of audit services expect clear opinions from auditors to produce high-quality audited financial statements. The longer an auditor is experienced, the better his or her ability to detect errors, understand errors thoroughly, and find the source of problems [1].

Audit quality is very important because good financial statements are the basis for decision making [2]. Quality control includes the auditor's detection skills and readiness to uncover material errors. Auditors follow audit standards and codes of ethics, and pay attention to factors such as audit fees and due professional care to influence audit quality [3]. One of the factors that affect audit quality is the audit fee. The quality of information in the financial statements prepared by the auditor is highly dependent on the quality of the auditor. The assumption is that higher quality auditors usually require higher review fees. The accountant profession, whether as an auditor or an audit appraiser, provides benefits not only to paying clients, but also to third parties or the public with an interest in audited financial statements.

Another factor that affects audit quality is due professional care, which reflects an auditor's ability to conduct financial statement audits. Audit quality is closely related to due professional care because auditors must apply it to produce quality audit reports. During the performance of audit duties, auditors must pay attention to due professional care. By paying close and close attention, auditors can have reasonable confidence that they report [4].

Research conducted [5] shows that audit fees affect audit quality. Conversely, research conducted [6] shows that audit fees do not affect audit quality. Research results from show [7] that due professional care has a significant effect on audit quality. The resulting audit quality can be optimized through this application. However, research conducted by [8] found that

factors caused by due professional care did not affect audit quality. This study was conducted to find variables that affect audit quality, namely audit fees, and due professional care. In the end, the results of this study are used for the Palopo City inspectorate office to assess its performance and ensure that the audits performed are of high quality. Based on the background described, the problems in the study can be identified as follows: whether audit fees can determine audit quality, whether due professional care can determine audit quality, while the objectives of this study are: to test and analyze whether audit fees can determine audit quality, to test and analyze whether due professional care can determine audit quality.

## 2. Methodology

The research design used in this research is a Quantitative approach. The quantitative approach is research used to examine certain populations or samples and random sampling with data collection using instruments, statistical data analysis. This research was conducted at the Palopo City Government Inspectorate Office which is located in boting, wara sub-district, Palopo City. This study aims to determine how the effect of audit fees, and due professional care has an impact on audit quality.

The population and sample in this study were all auditors who worked at the Palopo City Government Inspectorate office. So that the sample needed for this study amounted to 40 samples. Researchers distributed 40 questionnaires to respondents because the data sampling method used was a saturated sample. According to [9] saturated sample is part of the number and characteristics possessed by the population .

The data source in this research comes from primary data. Primary data is data collected for research from an accurate place where events occur. This primary data is obtained from a questionnaire or list of statements distributed to respondents. The data collection method used in this research is the survey method. The survey method is a primary data collection method that uses oral or written questions to obtain information from respondents in the sense of reports about their personal or things they know. The scale used in the questionnaire is a Likert scale of 1-5 with the following explanation: Strongly Agree (SS) : 5, Agree (S) : 4 Undecided (R) : 3, Disagree (TS) : 2, Strongly Disagree (STS) : 1.

The purpose of operationalizing variables is to evaluate all variables, including dependent and independent variables. Dependent Variable This variable has conditions or characteristics that change when the researcher changes or replaces the independent variable, while according to its function this variable is influenced by other variables, so it is often called the affected variable or the affected variable. Audit quality is the dependent variable in this study. Independent Variable A variable that refers to a measured or unmeasured variable that affects changes in the dependent variable in the equation. Because the function of this variable is often called the influence variable, because it functions to influence other variables, so it freely affects other variables. The independent variables in this study are audit fees and due professional care. Research data analysis is part of the data testing process after the selection and data collection stages in research. The data analysis method used in this study is as follows: Data quality test, Multiple linear regression analysis, and hypothesis testing.

### 3. Result and Discussion

#### 3.1. Result

Validity test is a procedure used to determine whether a questionnaire is valid or not. The questionnaire is considered valid if the question is able to reveal the purpose of the questionnaire [10]. The validity test can be seen in the corrected item-total correlation column, this value is then compared with the  $r$  value table which is sought at a significance of 0.05 with a 2-sided test. The value of  $r$  table is calculated using the  $df$  (degree of freedom) analysis, namely the formula  $df = n - k$  where  $n$  is the number of respondents and  $k$  is the number of independent variables used. An instrument is said to be valid if the correlation value  $r_{count} > r_{table}$ , otherwise an instrument is said to be invalid if the correlation value  $r_{count} < r_{table}$  [11]. Thus, the value of  $df = 37$  ( $n - k = 40 - 3$ ) = 0.316. The results of validity testing for each variable are shown in the following tables:

Table 1. Validity Test Results

Variables	Item	r count	r table	Sig	Description
<i>Audit Fee</i>	Statement X1.1	0,580	0,316	0,000	Valid
	Statement X1.2	0,742	0,316	0,000	Valid
	Statement X1.3	0,765	0,316	0,000	Valid
	Statement X1.4	0,689	0,316	0,000	Valid
	Statement X1.5	0,692	0,316	0,000	Valid
	Statement X1.6	0,725	0,316	0,000	Valid
	Statement X1.7	0,444	0,316	0,000	Valid
<i>Due Professional Care</i>	Statement X2.1	0,571	0,316	0,000	Valid
	Statement X2.2	0,598	0,316	0,000	Valid
	Statement X2.3	0,494	0,316	0,000	Valid
	Statement X2.4	0,637	0,316	0,000	Valid
	Statement X2.5	0,577	0,316	0,000	Valid
	Statement X2.6	0,695	0,316	0,000	Valid
Audit Quality	Statement Y.1	0,479	0,316	0,000	Valid
	Statement Y.2	0,694	0,316	0,000	Valid
	Statement Y.3	0,741	0,316	0,000	Valid
	Statement Y.4	0,655	0,316	0,000	Valid
	Statement Y.5	0,648	0,316	0,000	Valid
	Statement Y.6	0,658	0,316	0,000	Valid
	Statement Y.7	0,699	0,316	0,000	Valid

Source: Data Processed in SPSS 25

The reliability test is used to measure a questionnaire which is an indicator of the variable. A questionnaire is said to be reliable or reliable if someone's answer to the statement is consistent. To determine whether a variable is reliable or not, a statistical test is carried out by looking at the *Cronbach Alpha* value. With the criteria that can be used are as follows; If the *Cronbach Alpha* value  $> 0.60$  then the questions used to measure the variables are "reliable". If the *Cronbach Alpha* value is  $< 0.60$ , the questions used to measure the

variable are "unreliable". The results of the reliability test of the questionnaire used in this study are shown in table 2 below:

Table 2. Reliability Test Results

Variables	Cronbach's	Reliability	Description
	Alpha	Limit	
<i>Audit Fees (X)1</i>	0,760	0,60	Reliable
<i>Due Professional Care (X)2</i>	0,709	0,60	Reliable
<i>Audit Quality (Y)</i>	0,768	0,60	Reliable

Source: Data Processed in SPSS 25

The table above shows that the *Cronbach's alpha* value for the *audit fee* variable (0.760), *due professional care* (0.709) and *audit quality* (0.768) is greater than 0.60, so the question constructs to measure the level of variables in this study can be said to be reliable.

The Coefficient of Determination ( $R^2$ ) test which is close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable. The  $R^2$  test results are presented in the following table:

Table 3. Coefficient of Determination Results

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.672 <sup>a</sup>	.452	.423	.27377

a. Predictors: (Constant), *Due professional care*, *Audit fees*

b. Dependent Variable: *Audit Quality*

Source: Data Processed in SPSS 25

Based on the table above, it shows that the Adjusted  $R^2$  value is 0.423. So it can be concluded that the effect of *audit fees*, *due professional care* on *audit quality* is 42.3% and the remaining 57.7% is influenced by other factors outside the research model.

Table 4. Multiple Linear Regression Results

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.360	.466		2.921	.006
<i>Audit fee</i>	.543	.122	.617	4.462	.000

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<i>Due professional care</i>	.095	.125	.105	.757	.454
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a. Dependent Variable: Audit Quality

*Source: Data processed on SPSS 25*

So it can be written as follows:  $Y = 1,360 + 0,543X_1 + 0,095X_2 + e$  Based on each coefficient value in the multiple linear regression equation above, it can be interpreted as follows. The constant is positive at 1.360, this indicates that if the audit fee variable, due professional care is considered 0, the audit quality value is 1.360. The coefficient of the audit fee variable is 0.543, meaning that if there is an increase in the value of the audit fee variable by 1 point, it will increase the audit quality by 0.543. The coefficient of the due professional care variable is 0.095, meaning that if there is an increase in the value of the due professional care variable by 1 point, it will increase the audit quality by 0.095.

According to [11] states that the F value is a joint test of independent variables conducted to see the independent variable as a whole on the dependent variable. According to [11] the basis for decision making is to use the probability number to see significance, namely:

- a. If  $F_{count} < F_{table}$  or probability  $> 0.05$ , then the parameter  $\beta$  is not feasible in the model.
- b. If  $F_{count} > F_{table}$  or probability  $< 0.05$ , then the parameter  $\beta$  is feasible in the model.

Table 5. F Test Results

Table 5. F Test Results ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2.289	2	1.145	15.274	.000 <sup>b</sup>
Residuals	2.773	37	.075		
Total	5.063	39			

a. Dependent Variable: Audit Quality

b. Predictors: (Constant), *Due professional care*, *Audit fees*

*Source: Data Processed in SPSS 25*

Based on table 5 above, it shows that the  $F_{count}$  value is greater than the  $F_{table}$  value, namely  $15,274 > 3.23$  and the value ( $df_{N1} = k - 1 = 3 - 1 = 2$ ) and ( $df_{N2} = n - k = 40 - 3 = 37$ ) or significant is less than 0.05, namely  $0.000 < 0.05$ . So it can be concluded that the audit fee variable, due professional care has a significant effect on audit quality.

The individual parameter significant test (t statistical test) is intended to see whether the variable individually has an influence on the independent variable with the assumption that the other independent variables are constant. The test criteria are as follows. If  $t_{count} > t_{table}$  or p-value (sig)  $< \alpha$  (0.05) then  $H_0$  is rejected and  $H_a$  is accepted. So that the independent variable individually affects the dependent variable. If  $t_{count} < t_{table}$  or p-value (sig)  $> \alpha$  (0.05) then  $H_0$  is accepted and  $H_a$  is rejected. So that the independent variable individually has no effect on the dependent variable.

Table 6: T Test Results

Model	Coefficients <sup>a</sup>					
	Unstandardized		Standardized		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.360	.466			2.921	.006
<i>Audit fee</i>	.543	.122	.617		4.462	.000
<i>Due professional care</i>	.095	.125	.105		.757	.454

a. Dependent Variable: Audit Quality

Source: Data processed on SPSS 25

Hypothesis proving is done using the t test, and the test results can be seen from the *coefficients table* in the t and sig columns. and the t table value is 2.026 (df = 37 (n-k-1 = 40-3-1)). By using a significant 0.05 the t test results can be seen in table 6. Based on the data in table 6, it can be explained using the significant test as follows. The significant value of *audit fees* on audit quality is 0.000, so it is significant below 0.05. The tcount value is 4.462 > 2.026 ttable, then H1 is accepted, so that the *audit fee* variable has a significant effect on audit quality. The significant value of *due professional care* on audit quality is 0.454 so that it is significantly above 0.05. The tcount value is 0.757 < 2.026 ttable, then H2 is rejected, so the *due professional care* variable has no effect and is not significant on audit quality.

### 3.2. Discussion

The results of testing the first hypothesis of this study indicate that the audit fee variable has a tcount value < ttable which is 4.462 < 2.026 and a significant value of 0.000 < 0.005 with a positive Coef.B value, so audit fees have an effect on audit quality. This proves that audit fees are able to affect audit quality at the Palopo City inspectorate office. So it can be concluded that the higher the audit fee received by the auditor, the better the resulting audit quality will be. The amount of audit fees received will encourage auditors to do their job well, which will have an impact on the audit results in research [12] explains that the audit fee is determined if there is an agreement between the auditor and the client in accordance with the provisions stipulated before the audit process. In the bargaining process regarding the professional services provided, practitioners can suggest the amount of professional service compensation that is considered appropriate (SPAP section 240, 2001). How much audit fees can be calculated from audit hours and auditor experience [13]. Based on the explanation above, auditors with high audit fees will have more responsibility in carrying out the tasks assigned by the client. By conducting a broader and more in-depth audit of the client company so that possible irregularities in the client's financial statements can be detected [14]. This study supports research conducted by [15]; [16]; [17].

The results of testing the second hypothesis of this study indicate that the due professional care variable has a tcount value < ttable, which is 0.757 < 2.026 and the

significant value carried out obtained results, namely a value of  $0.454 > 0.05$  so that H2 is rejected. This means that due professional care has no effect on audit quality. This gives the result that the level of prudence or accuracy in the Palopo City inspectorate office shows that it is not good at implementing the audit process. According to [8] states that even though auditors use their expertise or abilities carefully and carefully, audit quality is not affected by this, because leadership policies affect all types of auditor findings and recommendations in the audit report. Therefore, due professional care has not been able to improve audit quality. The results of this study are in line with research [8] which found that due professional care does not affect audit quality. However, this research is not in line with research conducted by [7].

#### 4. Conclusion

This study aims to determine whether audit fees, and due professional care affect audit quality. Based on the data collected and the results that have been tested using hypothesis testing, it can be concluded that audit fees have a positive and significant effect on audit quality at the Palopo City Inspectorate Office, which means that the higher the audit fee, the better the resulting audit quality. For due professional care, it has no effect and is not significant on audit quality. This gives the result that the level of prudence or accuracy in the Palopo City inspectorate office shows that it is not good at implementing the audit process.

Based on the results of the research discussion and the conclusions that have been described, there are several suggestions recommended through this study, as follows: auditors must increase their due professional care and experience to produce high quality audits, especially auditors at the Palopo City inspectorate office, researchers must increase the number of variables because there are still many other factors that may affect audit quality such as accountability, competence, audit standards, auditor expertise and independence.

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