

IS THE AUDIT PROCEDURE DETERMINING THE AMOUNT OF DETERMINING THE AUDIT FEE?

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Abstract

This study aims to test audit experience, work pressure on the amount of audit fee determination based on the regulation of the Indonesian Public Accountants Association (IAPI) management regulation number 2 of 2016. A total of 112 questionnaires were distributed to auditors in the city of Medan, but only 69 questionnaires were processed. some respondents did not fill out the questionnaire completely. Tests conducted in this study use multiple regression to prove the effect of work experience and time pressure on audit fees. The results of this study indicate that partially work experience has no significant effect on audit fees. The time pressure partially has a significant effect on audit fees.

Keywords: Audit fee; Work experience; Time Pressure.

I. INTRODUCTION

The audit fee is an important part of supporting the performance of the auditors to carry out the attestation services they have performed. So far, the audit fee has been identified with the amount of risk that will be accepted by the auditor for the audit he has performed. Listya and Agoes (2014) argue that the amount of audit fees can be measured from the risk of the assignment that will be accepted by the auditor. Meanwhile, according to the regulation of the management of the Indonesian Public Accountants Association (IAPI) number 2 of 2016, it has set limits on the imposition of audit fees at each accounting firm. This regulation explains that when determining the audit fee, the auditor must pay attention to the amount of audit risk that is borne by the auditor, which in this case is related to the scope of the audit that must be carried out by the auditor. In addition, it also mentions the minimum limit that the audit fee is given to each of these levels of auditors. It can be concluded that the amount of audit fee is also determined by the experience of each auditor. This study aims to examine factors of experience and audit time pressure on the amount of audit fees that will be given to auditors according to IAPI regulation number 2 of 2016.

The audit fee is charged to the auditor with respect to the work handled based on an agreement marked with an engagement letter between the client and the auditor. In practice, the calculation of audit fees is often found not in accordance with IAPI regulation number 2 of 2016. Meanwhile, in these regulations the length of time the auditor works and the amount of risk borne by the auditor is a determining factor for the amount of the audit fee.

II. LITERATURE REVIEW

A. Audit Fee

Fee is a source of income for public accountants provided for the services they provide. The amount of fees obtained by the auditors is based on the calculation of the principal costs carried out by KAP during the audit, which consists of direct and indirect costs (Bangun and Susanti, 2013). Agoes (2012) argues that the amount of audit fees can be measured from the risk of the assignment that will be accepted by the auditor. According to Amalia (2007), the audit fee is one of the factors for the transfer of the auditor's office assignment. If the fee set by the public accountant has exceeded that of the company, the company will choose another accounting firm that offers a fee in accordance with the company's expectations. Silaban (2009) states that.

B. Audit Procedures

According to Mulyadi (2002) audit procedures are detailed instructions for collecting certain types of audit evidence that must be obtained at the time of auditing. Standard audit procedures, namely, conducting inspections, observations, inquiries and confirmations. Meanwhile, according to Boynton and Jhonson (2006) audit procedures are methods or techniques used by auditors to collect and evaluate audit evidence. Meanwhile, Sukrisno (2007) argues that the audit procedure is a step that must be taken by the auditor in the examination in order to avoid irregularities. From this theory, it can be concluded that the audit procedure is the steps that must be taken by an auditor to perform an examination. When conducting examinations the auditors must obtain sufficient and competent evidence, to conduct an examination so that the auditor must evaluate the audit evidence to determine the possibility of deviations or not. Auditors must perform every stage that has been presented in the audit procedure in order to obtain quality audit results. In this study, it is assumed that audit procedures can strengthen the effect of audit experience and audit time pressure on the amount of audit fees given. Experienced auditors are assumed to be willing to comply with the audit procedures previously established. Audit procedures are assumed to strengthen the effect of audit experience and audit time pressure on the amount of audit fees paid. Experienced auditors are assumed to be willing to comply with the audit procedures previously established. Audit procedures are assumed to strengthen the effect of audit experience and audit time pressure on the amount of audit fees paid. Experienced auditors are assumed to be willing to comply with the audit procedures previously established.

C. Auditor Experience

Sabarudinsyah (2007) states that specifically, that experience can be measured by the length of time that an auditor has worked as an auditor. The experience that results from behavior towards tasks that are performed repeatedly causes these tasks to be carried out properly. Furthermore, Wedemeyer (2010) revealed that an auditor must have a professional prudent attitude so that there is no material misstatement of the audit results. When the auditor has experience, the auditor will be more prudent and will have an impact on the quality of the audit. This statement is supported by the results of Purba's (2013) research which shows that the experience of an auditor has an effect on audit quality. Other than that, Wardoyo and Seruni (2011) revealed that auditors who have a lot of experience will have high professional judgment on the quality of the audit evidence they collect. This shows that when an auditor has experience, they will be more careful in acting and more obedient to follow audit procedures. Moreover, Sofiani and Tjondro (2014) stated that the auditor's experience is a combination of everything that the auditor obtains through meticulous face-to-face, repeated interactions. According to Darmawan (2015), the experience of an auditor is needed to carry out audit procedures. When an auditor is experienced, he will be willing to carry out audit procedures and have an attitude of professional prudence. Darmawan's (2015) research results indicate that the experience of auditors has a significant positive effect on the professional prudence attitude of auditors. Based on this statement, the hypothesis in this study is as follows:

H1: Auditor's experience affects the audit fee

D. Time Pressure

Tielman and Sugeng (2012) revealed that the pressure on audit time arises from limited resource allocation which causes the performance of auditors to be affected which affects the quality of the audit results. Furthermore, time pressure can also cause auditors to commit deviant acts, for example violating accountant ethics, reducing testing of transactions that should have been carried out. This is in line with the opinion of Rustiarini (2013) which states that time pressure is an obstacle arising from limited time or limited resources allocated in carrying out an audit assignment. This causes the auditor to reduce auditor performance. Auditors tend to reduce some of the tests that should be done, in addition, the auditor will collect evidence that is less than what it should be. This will lead to a decrease in auditor performance which has an impact on reducing audit quality. Furthermore, the research results of Sofiani and Tjondro (2014) show that when an auditor has time pressure, they cannot justify the audit properly. This is because auditors tend to eliminate / ignore several audit procedures that an auditor actually needs to perform in order to avoid audit risk. To avoid a decrease in audit performance, additional personnel are

required in accordance with the audit specifications required in the field. This is necessary to maximize audit procedures to run well and produce quality audits. This is supported by the statement of Mulyadi (2002) which states that audit procedures are detailed instructions for collecting certain types of audit evidence that must be obtained at the time of auditing. Based on this explanation, the hypotheses presented in this study are as follows:

H2: Time pressure affects the audit fee

III. RESEARCH METHODS

This research was conducted to provide empirical evidence that there are factors that influence the amount fee audits provided by clients to auditors. The audit procedure is expected to be an amplifying variable for the influence of these factors on the amount of the audit fee. The following will present research methods from data selection, to how researchers process the research data.

This type of research is descriptive quantitative which examines the factors that influence the amount of audit fees. This research was conducted at 19 public accounting firms in the city of Medan. The population in this study were all auditors of public accounting firms in the city of Medan who have registered with IAPI and Bappepam. The sampling technique is convenience sampling, namely, accountants who work as auditors at KAP, the professional levels are partners, managers, supervisors, seniors, juniors.

The data used in this study are primary data, namely the results of respondents' answers to questionnaires distributed to the research sample. This data will be processed and analyzed to obtain conclusions on the results of this study.

The data collection technique used is by distributing questionnaires to respondents and it will be filled in by the respondent concerned. Filling in the questionnaire can be done on the same day, or if conditions do not allow filling out the questionnaire will be given a span of one week from submission to the respondent.

Meanwhile, the hypothesis testing in model one uses multiple regression. The research model has shown that the hypothesis in this study was tested by multiple linear regression analysis, with the basic statistical formula as follows:

Multiple regression model equation:

$$FA = \alpha + b_1PK + b_2TW + e \dots\dots\dots (1)$$

IV. RESEARCH RESULTS AND DISCUSSION

Hypothesis testing in this study uses multiple regression analysis. The results of the hypothesis test are as follows:

Table 1
Hypothesis Test Results

Model	Unstandardized Coefficients		t	Sig
	B	Std Error		
Work experience	0.87	0.178	0.488	0.627
Time Pressure	0.640	0.148	4,321	0,000

Audit experience is treated as an independent variable that has an influence on fee audit. The test results provide an unstandardized beta experience value of 0.087 and the significance of the audit experience variable has a value of 0.627 which indicates that work experience has a positive effect on audit fees but not significant. The results of this test do not support hypothesis one which assumes that

audit experience affects audit fees. In addition, the results of this study do not support one of the factors for determining the audit fee stated in IAPI management regulation number 2 of 2016.

The test results reveal that for the determination feeaudit, experience is not a measure of the amount of fees to be paid to the auditor. In practice, the provision of fees to auditors can be negotiated between the client and the partner of the public accounting firm concerned. This is more so if the audit carried out is a repeated examination, in the case of a client that has been handled by the KAP for a long time. Moreover, if the client entity has small assets, it causes them to only budget a relatively small audit fee. Thus, they will ignore the experience of auditors who examine it.

In this study, time pressure functions as an independent variable that has an influence on feeaudit. The test results provide an unstandardized beta value of time pressure of 0.640 and the significance of the time pressure variable has a value of 0.000 which indicates that time pressure has a positive and significant effect on audit fees. The results of this test accept the third hypothesis which assumes that time pressure affects audit fees. In addition, the results of this test also support one part of the consideration of the determination of audit fees stated in IAPI management regulation number 2 of 2016, namely the amount of risk that will be borne by the auditors. This is indirectly related to the time pressure experienced by auditors on their audit work.

Auditors who have high time pressure are considered to have high audit risk because they are worried that they will ignore several important tests that must be carried out so that there is a concern that the resulting audit report still contains material misstatements. Because of the large risk that will be borne by the auditor, the auditor usually charges a high fee for the work. This is consistent with the statement of Rustriarini (2013) that due to limited time and resources, auditors tend to reduce some of the tests that should be done, besides that auditors will collect less evidence than they should. Furthermore, according to Sofiani and Tjondro (2014) that when an auditor has time pressure they will not be able to carry out an appropriate audit justification.

V. CONCLUSIONS AND SUGGESTIONS

The determination of audit fees has been regulated in IAPI regulation number 2 of 2016 with the aim that the audit fees charged to auditors can be uniformed with frequent imbalances that affect the audit quality of each public accounting firm. The public accounting profession is a professional profession and provides professional financial statement audit services. Therefore, the determination of fees should be regulated so that the public accounting profession can be respected like any other professional profession. This study aims to prove empirically from IAPI regulation number 2 of 2016, so that this regulation has a strong additional reference because it is supported by research results. Audit procedures serve as moderation, because it is hoped that, when these procedures can be executed properly,

The test results show that the audit experience has an insignificant positive effect on audit fees. Meanwhile, time pressure has a positive and significant effect on audit fees. This indicates that for the imposition of audit fees, audit work experience is not a measure of the size or size of the audit fee. Moreover, if the auditor performs repeated checks on the same client, the audit fee tends to be negotiable between the client and the KAP partner. Meanwhile, the results of the audit time pressure test indicate that when the auditor has time pressure, the auditor will face a large audit risk, so that the fee charged becomes large.

The moderation test on the audit experience shows that the audit procedure is weakening the effect of the audit experience on feeaudit. Meanwhile, time pressure as moderated by audit procedures indicates that audit procedures are to strengthen the effect of time pressure and audit fees. This indicates that auditors who have experience are considered to be able to work efficiently, even more so when they follow audit procedures. The auditor can choose the most appropriate audit procedure to do his job, so that the client can reduce the fee to a minimum. Furthermore, the time pressure experienced by the auditors forces the auditors to minimize the risk they will get, so that their work must be supported by audit procedures that lead to an increase in the imposition of audit fees.

The results of this test can be taken into account by decision makers *fee* auditors and the auditors themselves. Auditors are a job that does their job professionally and they also have to get a position on the nature of the work that surrounds them professionally. Furthermore, the results of this study can also be used as teaching materials for audit lecturers as additional references when introducing IAPI regulation number 2 of 2016 to students. Moreover, this research can be generalized to other audit studies, and it is hoped that it can improve the material that has been discussed in this study, and can even obtain additional material to complete the model in this study is not absolute, and can be refined according to the needs of the researcher.

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