

# The Factors Affecting Audit Quality

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## ABSTRACT

This study aims to extend and investigate the relationship between professionalism, implementation of professional ethics, and audit quality by proposing client acceptability as a mediating variable for filling the previous research gap. It is a quantitative method conducted at public accountant offices in Jakarta with 176 respondents from 41 offices. The data were analyzed using the Structural Equation Model. The model is good and the Confirmatory Factor Analysis proves to have a high loading. The results show that professionalism has an insignificant negative effect on audit quality, but it has a significant negative effect on client acceptability. The implementation of professional ethics has a significant positive effect on audit quality and client acceptability. The client acceptability has a significant positive effect on audit quality. The result proves that client acceptance mediates the effect of implementing professional ethics on audit quality. The implication of this study is to contribute to the public accounting firm in a low-risk client acceptance policy in providing information so that public accountants can avoid submitting misleading financial information.

## ABSTRAK

Penelitian ini bertujuan untuk memperluas dan men hubungkan Keterkaitan antara Profesionalisme, Implementasi Etika Profesional dengan Kualitas Audit dengan mengusulkan Penerimaan Klien sebagai variabel mediasi untuk mengisi kesenjangan penelitian sebelumnya. Penelitian ini adalah metode kuantitatif, dilakukan di kantor akuntan publik di sekitar Jakarta dengan 176 responden dari 41 kantor. Data dianalisis dengan Structural Equation Model. Model yang Baik dan Analisis Faktor Konfirmatori terbukti memiliki loading yang tinggi. Hipotesis pengujian menunjukkan bahwa profesionalisme memiliki pengaruh negatif tetapi tidak signifikan pada kualitas audit, profesionalisme memiliki pengaruh negatif dan signifikan terhadap penerimaan klien, penerapan etika profesional memiliki pengaruh positif dan signifikan terhadap kualitas audit, penerapan etika profesional memiliki pengaruh positif dan signifikan terhadap penerimaan klien, dan penerimaan klien memiliki pengaruh positif dan signifikan terhadap kualitas audit. Hal ini membuktikan bahwa penerimaan klien memediasi pengaruh dari penerapan etika profesional pada kualitas audit. Implikasi dari penelitian ini adalah memberikan berkontribusi pada kantor akuntan publik dalam kebijakan penerimaan klien dengan risiko rendah dalam memberikan informasi, sehingga akuntan publik dapat menghindari informasi keuangan yang menyesatkan

## 1. INTRODUCTION

Along with economic globalization that impacts transparency and accountability, the public accounting profession is very much needed by the public to provide opinions on the fairness of financial statements. In that case, financial statements do not provide misleading information to the public and report fairly to the users because public accountant activities are carried out

professionally. Besides, professionalism is the central attitude in carrying out a profession because it can make the professionals more confident in making decisions with their audit results. It is also one of the auditors' tasks for providing information useful to the public for economic decision making (Messier, Glover, & Prawitt, 2017). Furthermore, based on the Professional Standards of Public Accountants (IAPI, 2011), auditing by auditors can

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be of high quality if it meets auditing standards, including some essential aspects. They are professional-quality, independence, considerations used in conducting audits, and preparing audit reports. Therefore, an auditor can produce quality services or reports if he works professionally, following existing auditing standards.

Research related to the quality of financial report audits at Public Accounting Firms in Indonesia. Budisusetyo (2018) proves that auditors' moral character affects the quality of audit services and ethical issues. Furthermore, studies related to the quality of financial report audits at public accounting firms in other countries. Alareeni (2019) and Todorovic (2017) state that, regarding the rules of conduct, a public accountant or auditor in carrying out their duties certainly must pay attention to the code of ethics and audit standards. The code of ethics is intended for the auditor to maintain his behavior in carrying out his duties. They also must apply the auditing standards to maintain the quality of audit results that have been produced by the auditor. This code of ethics and audit standards will later become the auditor's initial capital to be published to the public or to report users so that the auditor's role will be better in carrying out their duties.

In carrying out the duties, public accountants must have professionalism and professional ethics to produce good audit quality results. If professional attitudes and professional ethics do not exist in the auditor, the auditor's audit report will not be trusted by report users and clients. According to Triyanthi and Budiarta (2015), maintaining trust is the auditors' obligation before clients and the third parties continually improve their professional expertise. Therefore, an auditor's professional attitude and professional ethics can also affect the number of client acceptance in an audit engagement.

Mutia (2015) argued that procedure and guidelines in accepting and continuing an assignment from clients are the risk management programs that public accountants can carry out. This is done to minimize the risks that arise from the engagement. The cases indicated that the audit's failure is a result of failure to identify clients with high or even very high risk. For this mistake not to be done repeatedly and again in making the client accept, the process must use more skepticism, which is an attitude of always questioning and evaluating critically (IAPI, SA Section 230, 2012). Besides, it is also assumed that not all clients must be maintained, and potential clients will not be automatically accepted. However, public accountant companies

increasingly emphasize their dependence on client acceptance decisions as to the first stage to inhibit their risk (Bedard, Johnstone, & Smith, 2010). Increasing litigation against public accounting firms and tight competition among companies to get clients has triggered this trend.

According to Konrath (2002), there are 5 (five) issues that must be considered by the auditor when receiving clients, namely management integrity, relationships with other professionals, risk of association, technical competence, and professional fees. The phenomenon of public accounting firms is the difficulty in ensuring clients have provided complete financial information. The one that auditors must underline is the importance of understanding the business and client companies to minimize the occurrence of errors in performing audit tasks that can affect the quality of audits provided by auditors. The length of the audit engagement between the auditor and the client also affects the audit quality. The more extended period of auditor assignment with the auditee will reduce auditor independence's attitude to reduce the quality of the audit (Giri, 2010). Paramita and Latrini (2015) state that the audit engagement period harms the quality of the audit.

Besides, previous research proves different results about the effect of professionalism on audit quality. Kusumawati and Syamsuddin (2018) and Mardijuwono and Subianto (2018) found a significant positive effect of professionalism on audit quality, while Munggarani (2017) proved an opposite result.

This research is different from previous studies. Susilo and Widyastuti (2015) examined the impact of integrity, objectivity, and auditor professionalism on audit quality. Syamsuddin et al. (2014) studied the effect of ethics, independence, and competence on audit quality. Suyono (2012) analyzed determinant factors affecting the audit quality in Indonesia. Sanno & Ussahawanitchakit (2008) examined the relationship between quality and professionalism on the audit quality of Thai auditors.

This study proposes client acceptability as a mediating variable of the relationship between professionalism and professional ethics with quality of audit. The authors tried to extend a model relationship between professionalism, professional ethics with quality of audit and propose client acceptability as an intervening variable. This study tries to answer the following research problems: 1) Does professionalism affect audit quality; 2) Does professionalism affect client acceptability; 3) Does implementation of professional ethics affect the

quality of the audit, 4) Does implementation of professional ethics have an effect on client acceptability, and 5) Does client acceptability have an effect on the audit quality?

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Professionalism**

Arens, Elder, and Mark (2012) define professionalism as the responsibility to act more than just fulfilling self-responsibility and the provisions of society's laws and regulations. According to Heri (2017), professional consideration is essential for making decisions such as audit materiality and risk, nature, timing, and extent of audit procedures used to collect audit evidence. It also evaluates whether sufficient and appropriate audit evidence that they have done and whether further evaluation is needed to achieve the overall objectives of the audit. It also evaluates the management's considerations concerning applying the existing financial reporting framework, evaluating the reasonableness of the estimates made by management in preparing financial statements, drawing conclusions based on audited evidence obtained. Furthermore, Dinha and Dob (2020) state that professionalism has a positive effect on the quality of service accounting firm. Besides, Susilo and Widyastuti (2015) and Lesmana and Nera (2015) state that professionalism positively affects audit quality. This result supports Al-Khaddash, Al-Nawas, ad Ramadan (2013), stating that professionalism, indicated by skills and skills, positively affects audit quality.

### **Professional Ethics**

Ethics is defined in various aspects related to the principles. For example, according to Arens et al. (2012), broadly, ethics can be defined as a series of principles or moral values. According to Sunyoto (2014), ethics is a moral principle and actions that are the basis for doing the task by someone. The community sees what he does as an act that is commendable and increases one's dignity and honor. Thus, ethics is related to moral values and moral principles as the basis for doing any job to hold tightly some's dignity and honor.

The Code of ethics, in this case, has some purposes. According to Siti and Ely (2010), a code of ethics aims to set the standard of behavior for accountants, especially public accountants. According to Syahmina and Suryono (2016), the higher the level of professional ethics possessed by auditors, the higher the audit quality. By keeping,

auditors tend to maintain their professional standards when carrying out audit assignments so that their behavior is more ethical. The explanation above supports research conducted by Futri and Juliarsa (2014) on professional ethics positively affecting audit quality and Syahmina and Suryono (2016), which states that the effect of professional ethics on audit quality is positive.

### **Client acceptability**

Mulyadi (2013) states that engagement is an agreement between two parties to agree. In audit engagements, clients who need auditing services agree with the auditor. The initial step of the audit work on financial statements is in the form of deciding to accept or reject an audit engagement from a prospective client or to continue or stop an audit engagement from a repeat client (Siddik & Yusuf, 2015). The results show that some KAPs reject clients from high-risk industries, such as saving and credit companies and health care companies. Most smaller accounting firms are unwilling to audit public company clients because of legal risks (Arens et al., 2012). This proves that public accounting firms and auditors are very selective in accepting clients.

Kandeh, Samadiyan, and Shadkamaga (2014) state that audit quality is affected by client acceptability. Furthermore, client acceptability is affected by professionalism (Wittek, van der Zee, & Mühlau, 2008) and professional ethics (Nasrabadi & Arbabian, 2015). This is related to the business risk of the client. If the client has a high business risk, the acceptability will be low or vice versa. Furthermore, the level of client acceptability is very much determined by the professionalism of auditors and professional ethics in assessing clients with low business risk so that they can be accepted as clients because clients with low business risk will have complete and transparent financial records and information. This will undoubtedly have an impact on audit quality. Previous research also shows that client acceptability an intervening variable between professionalism and the implementation of professional ethics with audit quality (Herrbach, 2001; Liu et al., 2017).

### **Audit Quality**

According to Pandoyo (2016), the quality of audit results is the probability that the auditor finds and reports fraud in his client's accounting system. Public accountants must be guided by the Indonesian Institute of Accountants' public accountant professional standards; in this case, the audit quality is also determined based on the

application of audit standards, namely general standards, fieldwork standards, and reporting standards (IAPI, 2011).

According to Sunyoto (2014), there are ten generally accepted auditing standards (GAAS), which are divided into three categories: general standards, fieldwork standards, and reporting standards. While Brown, Gissel, and Neely (2016) found 28 audit quality indicators (AQIs), junior-level auditors' perceptions, and three dimensions: the quality audit professional, audit process, and audit results. The results of previous studies on factors that affect audit quality look different. Kurnia, Khomsiyah, and Sofie (2014) proved that the time pressure variable negatively affecting audit quality. In contrast, Paramita and Latrini (2015) found that the audit period harms audit quality. Kusumawati and Syamsuddin (2018) proved that professionalism affects audit quality. Last, Putri and Juliarsa (2014) found that professional ethics positively affect audit quality.

### 3. RESEARCH METHOD

#### Research Design

This study is comparative causal research that investigates the possibility of cause and effect based on observing the consequences. It uses primary data through a questionnaire distributed to 176 auditors working at the 41 Public Accountant Offices in Jakarta, Indonesia.

#### Operational Definition of the Variables

Three variables were used: exogenous or independent variables such as; professionalism (P) and Implementation of professional ethics (PEA), while the endogenous or dependent variable used is audit quality (KA), and the intervening variable is Client Acceptability (AK). To measure the variables above, researchers used a Likert scale of 1-5, and they were processed using an interval scale.

#### Techniques of the Analysis

The data were analyzed by a quantitative analysis with SEM (Structural Equation Modeling), the model with the AMOS 22 program's help, after conducting confirmatory factor analysis.

According to Arbuckle (1997), Ferdinand (2014), and Pardede & Manurung (2015), at this stage, the researchers test the suitability of the model through a review of various criteria for the goodness of fit. There are some conformity indices and cut-off values to test whether a model can be accepted or rejected. They are  $\chi^2$ -Chi-square statistics, RMSEA (The Root Measure Square of Approximation), GFI (Goodness of Fit Index), AGFI (Adjusted Goodness of Fit Index), TLI (Tucker Lewis Index), is a cumulative index that compares a model tested against a baseline model, CFI (Comparative Fit Index).

### 4. DATA ANALYSIS AND DISCUSSION

#### Normality test

According to Widagdo & Widayat (2011), Normality testing is done to find out whether a data distribution is normal or not. In applying bivariate statistical models and multivariate statistical models, the normality testing of data is required. Data distribution condition that does not meet the criteria for the data normality will produce a biased test. Therefore, it is necessary to test the data normality. If the normality is not met, then the next statistical test will not be good.

There are several ways to determine the data normality test, namely by graphic techniques and statistical techniques. This study used statistical techniques with 176 questionnaires entered. A data is said to fulfill the normality criteria if the value of c.r (critical ratio) univariate and multivariate is between -2.58 to 2.58 ( $-2.58 < c.r < 2.58$ ). The results of the normality test are presented in Table 1.

Table 1. Normality Test

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
KA3	3,000	5,000	0,355	1,769	-0,061	-0,152
KA2	3,000	5,000	0,319	1,589	0,021	0,053
KA1	3,000	5,000	0,115	0,573	0,079	0,197
AK1	3,000	5,000	-0,084	-0,418	0,129	0,321
AK2	3,000	5,000	0,094	0,471	0,006	0,015
AK3	3,500	5,000	0,049	0,245	-0,745	-1,855
PEA1	3,000	5,000	-0,201	-0,999	0,035	0,086
PEA2	3,500	5,000	0,364	1,812	-0,695	-1,732
PEA3	3,000	5,000	0,270	1,344	-0,028	-0,069

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
PEA4	3,000	5,000	-0,014	-0,070	0,076	0,189
P4	3,000	5,000	0,021	0,103	-0,385	-0,960
P3	3,000	5,000	0,349	1,739	-0,196	-0,488
P2	3,000	5,000	-0,148	-0,736	-0,042	-0,104
P1	3,000	5,000	-0,338	-1,685	0,074	0,184
Multivariate					40,148	11,577

Source: Output of AMOS 22

Based on Table 1, the multivariate critical ratio of the measurement indicators tested using AMOS 22 is 11,577 or > 2,58. The value of the univariate critical ratio (c.r) for each indicator is for both exogenous and endogenous variables because they are in the range of -2.58 to 2.58. It means that the research data from 176 respondents in univariate and multivariate data were free from the outlier.

**Analysis of Confirmatory Factors**

Confirmatory Factor Analysis (CFA) is used to determine the validity and reliability of each variable's indicators used in the model. According to Ferdinand (2014), a measurement indicator is good if it has a loading factor > 0.40. It shows significant validity of the model's variables and the standardized loading estimate that should be upper 0.4. The test of confirmatory factor is presented in Table 2.

Table 2 Confirmatory Factor Analysis

Indicators		Variable	Estimate	SE.	CR.	P	Label
P1	<---	P	1,000				
P2	<---	P	0,913	0,136	6,695	***	par_7
P3	<---	P	0,953	0,128	7,473	***	par_8
P4	<---	P	0,768	0,151	5,089	***	par_9
PEA4	<---	PEA	1,000				
PEA3	<---	PEA	0,855	0,106	8,103	***	par_10
PEA2	<---	PEA	0,767	0,093	8,266	***	par_11
PEA1	<---	PEA	0,747	0,104	7,157	***	par_12
AK3	<---	AK	1,000				
AK2	<---	AK	1,437	0,317	4,536	***	par_13
AK1	<---	AK	1,348	0,309	4,365	***	par_14
KA1	<---	KA	1,000				
KA2	<---	KA	1,037	0,119	8,701	***	par_15
KA3	<---	KA	0,668	0,127	5,276	***	par_16

Source: Output of AMOS 22

Based on Table 2, the loading factor of indicators is described as the following. The CFA testing on professionalism variable (P) includes four indicators, namely professional service (P1), independence attitude (P2), confidence in professional regulations (P3), and quality of relations with fellow professionals (P4). Table 3 shows a model image and a CFA analysis table of the professionalism variables produced. The results of the calculation of confirmatory analysis on the professionalism variable indicate that each indicator on the professionalism variable has a coefficient/ estimated value of 0.768 to 1,000, which means that it meets the criteria (loading

factor) > 0.40 (Ferdinand, 2014). It also means that these indicators can be said as significant indicators of the variable for professionalism.

The CFA test on the variable of implementing professional ethics (PEA) includes four indicators, namely competence (PEA1), responsibility (PEA2), implementation of a code of ethics (PEA3), and finally, the interpretation and improvement of the code of ethics (PEA4). The calculation of confirmatory analysis of the variables of the application of professional ethics indicates that each indicator on the variable of professional ethics has a coefficient/ estimated value of 0.747 to 1,000, which means the

criteria (loading factor) > 0.40. This means that these indicators can be said to be significant indicators of the variable of implementing professional ethics.

CFA testing of client acceptability variable (AK) includes three indicators, namely task depth and capacity (AK1), time pressure (AK2), and audit engagement period (AK3). The confirmatory analysis on the client acceptability variable indicate that each indicator has a coefficient value of 1,000 up to 1.437. It means that it has met the loading factor criteria > 0.40. This means that these indicators can be said to be significant indicators of the client acceptability variable.

CFA testing of Quality of Audit variable (KA) includes three indicators, namely conformity of audit with audit Standards (KA1), quality of audit report (KA2), and timeliness (KA3). The calculation of

confirmatory analysis on audit quality variable indicates that each indicator on the audit quality variable has a coefficient or estimated value of 0.668 to 1,000. It means that it has met the criteria (loading factor) > 0.40. This means that the indicators can be said to be significant indicators for the audit quality variable.

#### Analysis of Model

Before testing the hypotheses test, a measurement of the conformity level is made to see that the model can describe the causality (goodness of fit) with the AMOS 22 program. It is for a report on the Goodness of Fit's size of an adequate structural model that it produces. Table 3 shows the results of data processing for full SEM analysis.

Table 3. Testing the Feasibility of Model

<b>The Goodness of Fit Index</b>	<b>Cut-of Value</b>	<b>Model Results</b>	<b>Description</b>
<i>Chi-square</i> ( $X^2$ )		127,777	Marginal
Probability	≥0,05	0,000	Marginal
CMIN/DF	≤2,00	1,800	Good Fit
GFI	≥0,90	0,902	Good Fit
AGFI	≥0,90	0,856	Marginal
TLI	≥0,90	0,903	Good Fit
RMSEA	≤0,08	0,074	Good Fit
CFI	≥0,95	0,924	Marginal

Source: Output AMOS 22

Based on the results of the full model feasibility test, as presented in Table 3, the analysis of the Goodness of Fit of this research model is as follows. The Goodness of Fit Index (GFI) describes the degree of suitability of the model as a whole as a result of the estimated residual squared model compared to the data obtained. The GFI value possessed by this research model is 0.902. This value is following the GFI criteria of 0.90. Therefore, it can be said that the overall suitability of the model is good.

The chi-square value (df = 71) of the model is 127,777. This chi-square value is too large, with a probability smaller than 0.05. Therefore, the compatibility of this model based on the chi-square value is not good. Root Mean Square Error Approximation (RMSEA), The RMSEA value reflects the expected suitability when the model is applied to the entire population. The RMSEA value of this research model is 0.074 or 80.08. This means that the goodness of fit of this research model is good.

The Probability (P) value obtained by this model is 0,000. This value indicates that the suitability of the model is not good because P is smaller than 0.05. Normed Chi-Square (CMIN/ DF) value was obtained

by chi-square divided by the degree of freedom. The CMIN/ DF value of this model is 1,800. This value indicates that the suitability of this model is good because CMIN/ DF ≤2.00.

The Adjusted Goodness of Fit Index (AGFI) value obtained from this model is 0.856. This value indicates that the suitability of this model is still marginal because AGFI is ≤0.90. The Comparative Fit Index (CFI) value obtained by this research model is 0.924. This shows that the suitability of this model is still marginal due to ≤0.95. Last, the Tucker-Lewis Index (TLI) value obtained by this research model is 0.903. That means that the suitability of this model is good because TLI is ≥ 0.90.

The feasibility test of the Structural Equation Model (SEM) model was done by comparing the Cut-of Value with the results of the model consisting of Chi-Square, Probability, CMIN / DF, GFI, AGFI, TLI, RMSEA, and CFI. Based on Table 3, two criteria are below the standard, namely Chi-Square, which has a considerable value, and the probability that has a small value. The value of CFI and AGFI also shows the existence of a marginal value that is equal to 0.943 and 0.852. At the same time, other criteria such as

CMIN/ DF, GFI, TLI, and RMSEA show results that meet the requirements. Thus it can be concluded that the research and model proposed have good and acceptable Goodness of Fit and do not need to be modified or respected.

**Discussion of Hypothesis testing**

The next test is the significance test of causality

through regression coefficient test (regression weight). The causality test aims to determine the causality relationship between exogenous variables and endogenous variables. It was done by looking at the CR value and its probability (P). The result of the analysis of the maximum likelihood estimates with the AMOS 22 program is presented in Figure 1 and Table 4.

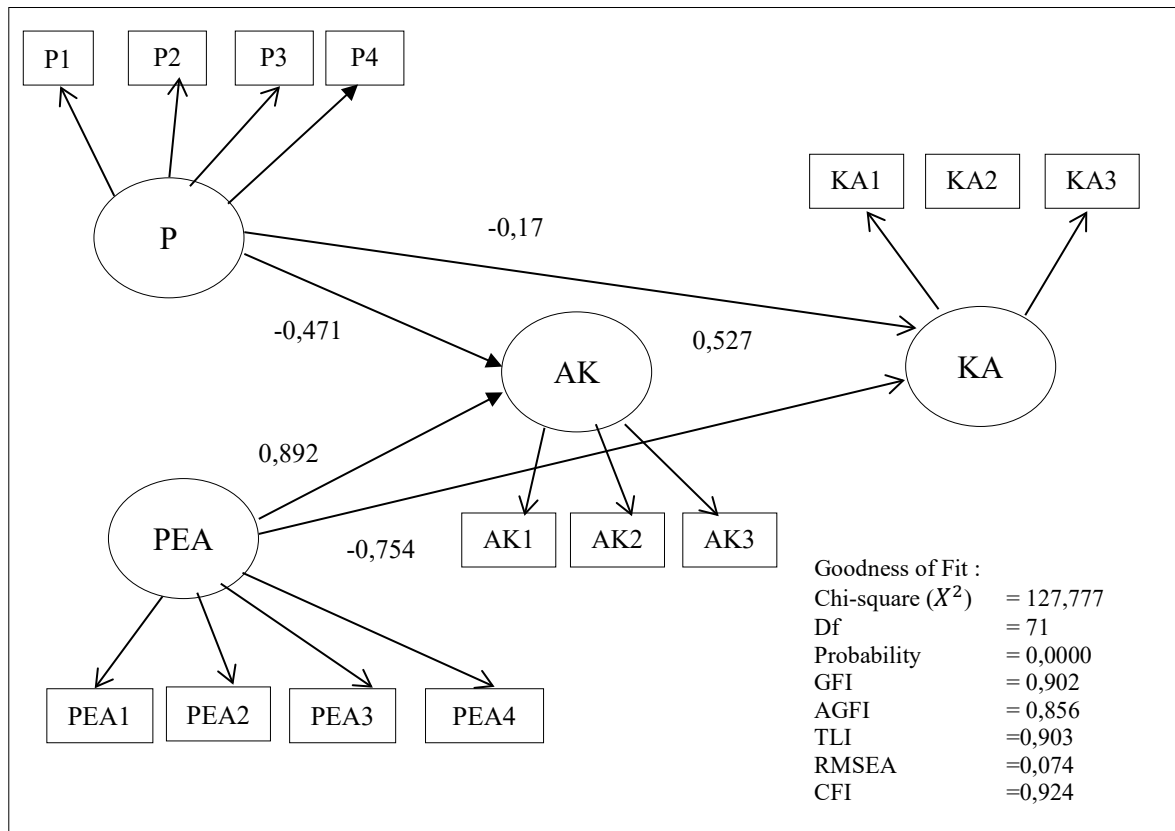


Figure 1: Coefficient Relationship of Intervariables

Table 4, Regression Weights of hypotheses testing

				Estimate	SE.	CR.	P	Lable
Client Acceptability (AK)	←	Professionalism (P)		-0,471	0,235	-2,006	0,045	Significant
Client Acceptability (AK)	←	Implementation of Professional Ethics (PEA)		0,892	0,258	3,457	0,000	Significant
Audit Quality (KA)	←	Client Acceptability (AK)		0,527	0,266	1,981	0,048	Significant
Audit Quality (KA)	←	Professionalism (P)		-0,170	0,179	-0,946	0,344	Not significant
Audit Quality (KA)	←	Implementation of Professional Ethics (PEA)		0,754	0,185	4,072	0,000	Significant

Source: Output AMOS 22

The regression coefficient test results in Figure 1 and Table 4 show the value that meets the requirements. CR value is above the value of 1.96 with a probability smaller than 0.05. However, for  $AK \leftarrow P$  and  $KA \leftarrow P$  is below the value of 1.96, and only  $KA \leftarrow P$  has a probability greater than 0.05, which means it is not significant. This can still be accepted in this study. This result confirms the CFA test, which concludes that the measurement indicators are significant indicators of the latent variables. Thus, it can be concluded that this research model is acceptable.

After the previous testing stages, which show that the research model is feasible and means that this research hypothesis can be proven, then the research hypothesis testing can be done. Hypothesis testing analyzes the effect of the relationship between the variable of professionalism and the implementation of professional ethics on client acceptability mediated by audit quality at the Public Accounting Firm in Jakarta.

The hypothesis test is based on the results of data processing and SEM analysis, where the results of regression weight analysis were analyzed by looking at the standardized coefficient (estimate of standardized regression weights), critical ratio (CR), and probability (P), compared to statistical criteria. It is determined, namely  $CR > 1.96$  with  $P < 0.05$ . The hypothesis proposed is said to significantly affect if the data processing shows results that meet the criteria  $CR > 1.96$  with  $P < 0.05$ .

#### **Professionalism and Audit Quality**

It is known that the value of the effect of professionalism on audit quality is negative (-0,170) and not significant with a probability (P) value of 0.344 and a Critical Ratio (CR) with the value of -0.946. If the testing criteria is  $P \leq 0.05$  (significance level of 5%) and the value of  $C.R > -1.96$  or  $< 1.96$ , then H1 is rejected. It means that professionalism has a positive and significant effect on audit quality is not proven empirically.

The professionalism variable has a negative but not significant effect on the audit quality variable. This is in line with Rinaldi (2016) and Munggarani (2017) found that professionalism did not significantly affect audit quality. The hypothesis is rejected because it has not met the criteria of p (significance level) and CR value.

#### **Professionalism and Client Acceptability**

It is known that the value of the effect of professionalism on client acceptability is negative (-0,471) and significant with a probability value (P) of

0.045 and a Critical Ratio (CR) value of -2.006. The testing criteria are  $P \leq 0.05$  (significance level of 5%) and the value of  $CR < -1.96$  or  $> 1.96$ . Therefore, H2 is accepted. It means that professionalism has a positive and significant effect on client acceptability is not empirically proven. The professionalism variable has a negative and significant effect on client acceptability. This is in line with Wittek et al. (2008) found that partners working in audit firms emphasizing a professional orientation are less likely to accept such risky assignments. It means that professional partners/ auditors will not accept risky clients. This evidence is not in line with and does not support the findings by the previous researchers. For example, Wahyuni and Rasuli (2015) found that professionalism has a positive and significant effect on client acceptability.

#### **Professional Ethics and Audit Quality**

It is known that the value of the effect of the professional ethics variable on the audit quality is positive (0,754) and significant with a probability (P) value of 0,000 and a Critical Ratio (CR) value of 4,072. If the testing criteria is  $P \leq 0.05$  (significance level of 5%) and the value of  $C.R < -1.96$  or  $> 1.96$ , then H3 is accepted. Alternatively, it means that professional ethics has a positive and significant effect on audit quality. This is in line with and strengthens the findings by the previous researchers. For example, Syahmina and Suryono (2016) and Putri and Juliarsa (2014), Syamsuddin et al. (2014), and Jelic (2012) found that the implementation of professional ethics variable has a positive and significant effect on audit quality.

#### **Professional Ethics and Client Acceptability**

It is known that the value of the effect of the application of professional ethics on client acceptability is positive (0,892) and significant with a probability (P) value of 0,000 and a Critical Ratio (CR) value of 3,457. If the testing criteria is  $P \leq 0.05$  (5% significance level) and the value of  $C. R < -1.96$  or  $> 1.96$ , then H4 is accepted. It means that the application of professional ethics that positively and significantly affects the client acceptability variable indicators is proven empirically. The implementation of professional ethics has a positive and significant effect on the acceptability of clients. This is in line with and supports the findings by the previous researchers. For example, Siddik and Yusuf (2015) and Jelic (2012) found that the implementation of professional ethics has a positive and significant effect on clients' acceptability.



**Client Acceptability and Audit Quality**

It is known that the value of the client's acceptability on audit quality is positive (0,527) and significant with a probability value (P) of 0.048 and a Critical Ratio (CR) value of 1.981. If the testing criteria is  $P \leq 0.05$  (5% significance level) and CR value  $< -1.96$  or  $> 1.96$ , then H5 is accepted. The initial hypothesis of client acceptability has a positive and significant effect on audit quality, and therefore, it is empirically proven. This is in line with and strengthens the finding by Kandeh et al. (2014). However, it is different from the results of previous researchers such as Kurnia, Khomsiyah, and Sofie (2014) and Paramita and Latrini (2015).

**Direct, Indirect, Total Effects**

Table 5 presents the Direct, Indirect and Total Effects of Variables. The direct effect occurs when a latent variable affects other latent variables without going through the intervening variable. Table 5 shows that the direct effect of professionalism on client acceptability is equal to -1,024. The direct effect of the application of professional ethics on client acceptability is equal to 2.152. The direct effect of client acceptability on audit quality is 0.244. The direct effect of professionalism on audit quality is equal to -0.170, and the direct effect of the application of professional ethics on audit quality is equal to 0.841.

Table 5 Direct, Indirect, Total Effects

Variable	Direct Effects	Indirect Effects	Total Effects
Professionalism → Client acceptability	-1,024	0,000	-1,024
Implementation of Professional Ethics → Client Acceptability	2,152	0,000	2,152
Client Acceptability → Quality of Audit	0,244	0,000	0,244
Professionalism → Quality of Audit	-0,170	-0,250	-0,420
Implementation of Professional Ethics → Quality of Audit	0,841	0,525	1,366

Source: Output AMOS 22

Table 5 also shows that the indirect effect of professionalism on audit quality is equal to -0.250, and the indirect effect of the implementation of professional ethics on audit quality is equal to 0.525. Based on Table 5, the direct effect of professionalism on client acceptability is equal to -1,024. The direct effect of the application of professional ethics on client acceptability is equal to 2.152. The direct effect of client acceptability on audit quality is 0.244. The direct effect of professionalism on audit quality is equal to -0.420, and the direct effect of the implementation of professional ethics on audit quality is equal to 1.366. Thus, it is evident that client acceptability partially may act as an intervening variable.

**5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS**

This study's empirical results help us understand a new model of the causal relationship between Professionalism and Implementation Professional Ethics with Audit Quality and the role of Client Acceptability as a mediation variable. The study draws five conclusions. First, professionalism has a negative effect but not significantly on audit quality. It means that, though auditor professionalism is improved, it does not significantly affect audit quality. Professionals' indicators are professional

service, independence, confidence in professional regulations, and the quality of relationships with fellow professions have substantial loading factors in forming professional variables. Second, professionalism has a negative and significant effect on the acceptability of clients. The meaning is that even though auditor professionalism is improved, it has a significant negative effect on client acceptability. Third, the Implementation of professional ethics has a positive effect and significantly on audit quality as it is proven empirically. Fourth, the implementation of professional ethics has a positive and significant effect on client acceptability. Last, the client acceptability has a positive effect and significantly on audit quality. Client acceptability can act as a mediating variable between professionalism and audit quality with an inverse relationship. The relationship between the application of professional ethics and audit quality can be mediated by client acceptability significantly.

Academically, this research has implications for developing an empirical research model about the relationship between professionalism and professional ethics implementation on audit quality by proposing the client acceptability concept with indicators of task complexity, time pressure, and audit engagement period. Due to the effect that is

more significant than direct effect, this study suggests that public accounting firms should maintain the accountants' professionalism and be selective in accepting clients.

This research is limited to the variables of professionalism, professional ethics, client acceptability that affect audit quality. Besides that, this study was only carried out in the public accounting firms in the Jakarta area. Therefore, for future studies, the researchers should add other variables: auditor perceptions, auditor experience, and independent variables. They also have to expand the research area in all major cities in Indonesia.

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