

# Interpretation of the traditional proverb “jer basuki mawa beya” on abnormal audit fees in the context of improving audit quality

Denari Dhahana Edtiyarsih<sup>1</sup>, Erina Sudaryati<sup>1</sup>, Sasongko Budisusetyo<sup>2</sup>

<sup>1</sup>Airlangga University, Surabaya, East Java, Indonesia

<sup>2</sup>STIE Perbanas, Surabaya, East Java, Indonesia

## ARTICLE INFO

### Article history

Received 8 December 2019

Revised 17 March 2021

Accepted 18 March 2021

### JEL Classification:

M42

### Key words:

Abnormal Audit Fee,  
Audit Quality

### DOI:

10.14414/tiar.v11i1.2000

## ABSTRACT

East Java Province is a province in Indonesia that has cultural diversity and uniqueness. This is reflected, among other things, by the number of proverbs (in Javanese: *unen-unen*) used by the people of East Java. One of the popular Javanese proverbs, traditional sayings that express a perceived truth based on common sense or experience, in East Java Province is ‘Jer Basuki MawaBeya’ which means that all success requires sacrifice, or in other words, if someone wants to achieve success, there must be a cost. In the context of improving audit quality, if a company decides to employ external auditor services, the company must pay fees for the external auditor services. The abnormal audit fees paid by the company will have an effect on the increase in audit quality.

## ABSTRAK

Provinsi Jawa Timur merupakan provinsi yang memiliki keanekaragaman budaya dan keunikan tersendiri. Hal ini antara lain tercermin pada banyaknya peribahasa (dalam bahasa Jawa: ‘unen-unen’) yang digunakan oleh masyarakat Jawa Timur. Salah satu peribahasa yang populer dalam bahasa Jawa khususnya di Provinsi Jawa Timur adalah ‘Jer Basuki Mawa Beya’ yang artinya semua kesuksesan membutuhkan pengorbanan, atau dengan kata lain dapat dikatakan bahwa jika seseorang ingin meraih kesuksesan pasti ada biaya yang harus dikeluarkan. Dalam konteks peningkatan kualitas audit, jika sebuah perusahaan memutuskan untuk menggunakan jasa auditor eksternal, maka perusahaan tersebut perlu mengeluarkan biaya untuk membayar jasa auditor eksternal tersebut. Biaya audit yang tidak normal yang dibayarkan oleh perusahaan akan mempengaruhi peningkatan kualitas audit.

## 1. INTRODUCTION

East Java is a province in Indonesia that has cultural diversity and uniqueness. There are so many things that can be explored in this province. One of them is the use of proverbs (In Javanese: ‘unen-unen’), a traditional saying that expresses a perceived truth based on common sense or experience. One proverb that characterizes and becomes the motto of East Java Province is “jer basuki mawa beya”. Sukoharsono (2019) explains that the implied meaning of the motto “jer basuki mawa beya” is that everything that leads to good must have a cost. The deeper meaning of this expression

shows that to get something valuable requires struggle and sacrifice. Sukoharsono (2019) further explains that the meaning of “jer basuki mawa beya” is that if a company wants to get success or achieve the vision they set, they must pay it to make it happen (Raden et al., 2010).

One of the costs the company must incur is to achieve the vision by using external auditor services. The purpose of employing external auditors is to provide confidence and assurance of the fairness of the company’s reports to the wider community (Rusmanto, 2015). In this regard, enjoying the services

\* Corresponding author, email address: denari.dhahana.edtiyarsih-2018@feb.unair.ac.id

of external auditors is not something free. Companies must pay external auditors for the services they have been performed. The audit costs incurred by the company will certainly have an impact on the quality of the audit provided by the external auditor. According to Moraes et al. (2015); Cahan et al. (2015); Abdul-Rahman et al. (2017); Corbella et al. (2015); Markelevich et al. (2005); and Khan (2015), audit fee incurred by a company for external auditor has an influence on the quality of the audit performed by the auditor.

When discussing the topic about audit fees cannot be separated from the emergence of the term abnormal audit fees. According to Craswell et al. (1995), abnormal audit fee is the difference between actual audit fee paid to the auditor and normal audit fee. If the actual fee incurred is greater than normal fees, abnormal audit fees will arise. Gupta et al., (2009) explain that if the audit fee provided by the company is low, the audit quality provided by the external auditor will also be low.

Based on the background described above, the problems formulated in this study are as follows. How does the proverb “*jer basuki mawa beya*” interpret the abnormal audit fee that the company must pay to the external auditor? How can abnormal audit fee have an impact on the quality of the audit produced by the external auditor?.

## 2. THEORITICAL FRAMEWORK AND HYPOTHESIS

### Theoretical Basis

#### Theory of Reasoned Action

Madden (1992) explains that the theory of reasoned action is a theory that connects belief, attitude, intention, and behavior. Each individual has their own beliefs that can influence their actions. The individual's attitude is a projection of the execution of the beliefs possessed by each individual. This relates to an intention that is the willingness or desire that an individual has for what he or she will do. This will affect a person's behavior in doing his job. In this study, the relationship between the theory of reasoned action and audit quality is that when an external auditor receives an abnormal audit fee or does not receive an audit fee, it will have an impact on the external auditor's beliefs, attitudes, intention, and behavior in auditing the reports the company owns.

### Abnormal Audit Fee

According to Asthana et al. (2012); Choi, Kim, and Zang (2010); Blankley et al. (2012); and Krauß (2014), the difference between normal audit fees and actual audit fees is abnormal audit fees. If the actual audit fee is higher than the normal audit fee, an abnormal audit fee will occur. This statement is in line with the explanation stated by Craswell et al. (1995).

### Audit Quality

DeAngelo (1981) also explains that the audit quality is the possibility of an auditor to be able to detect and report fraud that occurs in the accounting system owned by the external auditor's client. This is in line with the statement of Francis (2004) that an external auditor will not give an unqualified opinion if there are many errors in the company's reports that can trigger errors in decision making by managers. From this explanation, it can be interpreted that audit quality is the ability of an external auditor to detect errors in company reports and the ability to detect fraud or indications of fraud committed by certain individuals.

### Previous Research

Research conducted by Krauß (2014) shows that the audit fee cuts given to external auditors have no effect on the audit quality performed by external auditors. It can be interpreted that the reduced audit fee given to the external auditor has no effect on the quality of the audit performed by the external auditor.

Research conducted by Choi, Kim, and Zang (2010), shows that abnormal audit fees have a negative effect on audit quality. This indicates that the abnormal audit fee given by the company to the external auditor is a bribe so that the external auditor is willing to give an unqualified opinion, which is actually not appropriate to be given to the company. This will lead to errors in decision making by stakeholders.

The result of research conducted by Blankley et al. (2012), shows that abnormal audit fees have a negative impact on the restatement performed by external auditors. This indicates that if the company pays more audit fees to external auditors, the misstatement that external auditors have to revise is minimal. This shows that the audit quality is good.

The result of research conducted by Choi, Kim, Kim, et al. (2010) also shows that the company will give more audit fees to external auditors if the size of the public accounting firm is large. This indicates that the abnormal audit fee given by the company is able to improve the audit quality of an auditor.

The result of research conducted by Eshleman et al. (2013), shows that the abnormal audit fee given by companies to external auditors has a positive effect on improving audit quality. Abnormal audit fees can have a positive effect that encourages auditors to improve their audit quality.

The result of research conducted by Ettredge et al. (2014), shows that audit fee pressure has a negative effect on improving audit quality. Low audit fees paid by the company to external auditors will have a negative impact on audit quality. This study found evidence that the low audit fees paid by the company to external auditors often result in these auditors making misstatements. This shows that the audit quality provided by the auditors is low when the auditors are underpaid.

The result of research conducted by Jung et al. (2016), found that abnormal audit fees have no effect on audit quality. This means that the abnormal audit fee paid by the company to the external auditor does not have an impact on improving audit quality. The auditor will continue to do his job professionally without thinking about the audit fee paid by the company.

The result of research conducted by Salehi et al. (2017), found that audit fee pressure has a positive impact on the misstatements made by the auditor. This means that if the audit fee paid by the company to the external auditor is low, it will reduce the audit quality performed by the external auditor. This can be seen from the frequent misstatements made by auditors when the company pays the minimum audit fee.

### 3. RESEARCH METHOD

#### Types of Research

This research is qualitative research. The method used in this research is literature study. Semantic analysis of the meaning of the proverb "*jer basuki mawa beya*" becomes a metaphor for the process of determining audit fees. Furthermore, the researchers explored deeper in the context of social audit.

### 4. DATA ANALYSIS AND DISCUSSION

#### Research Results

The results of this study indicate that the proverb which is used as the motto of the province of East Java, namely "*jer basuki mawa beya*" is able to interpret the abnormal audit fee paid by the company. The motto "*jer basuk mawa beya*" means that if someone wants to achieve his successor predetermined goal, he has to spend money. The greater the costs incurred, the more likely it is to achieve success and the goals that have been set. This is evidenced by several previous research results such as research conducted by Choi, Kim, Kim, et al. (2010); Choi, Kim, and Zang (2010); Blankley et al. (2012); Eshleman et al. (2013); Ettredge et al. (2014); Salehi et al. (2017) that abnormal audit fees have a positive effect on audit quality.

High audit fees, often referred to as abnormal audit fees, have a positive impact on audit quality. Audit quality increases when the external auditor earns more audit fees. Conversely, when a company reduces audit fees or provides minimal audit fees to external auditors, it will have a negative impact on the quality of the audit provided by the external auditors. This can be seen from several research results which show that when a company provides a minimal audit fee, the frequency of misstatements made by auditors increases. This indicates that there is a decrease in audit quality when the company pays a minimal audit fee to external auditors.

In this study, the relationship between the theory of reasoned action and audit quality is that when an external auditor receives or does not receive an abnormal audit fee, it will have an impact on the beliefs, attitudes, intentions, and behavior of the external auditor in auditing the company reports. This condition can occur because to audit a company, the auditor must sacrifice a lot of time and energy and it also depends on the size of the public accounting firm. A large public accounting firm will certainly charge a higher audit fee than other public accounting firms. In other words, the abnormal audit fee that must be paid by the company to the large public accounting firm will increase because it is assumed that a large public accounting firm is believed to have higher credibility to audit and is able to gain more confidence in the company's financial statements in the eyes of investors.

This is in accordance with the motto used by East Java Province, namely "*jer basuki mawa beya*" which means that everything that leads

to good must have a cost. From this statement, it can be inferred that if a company wants to increase its value— the management is able to carry out evaluations and corrective actions against gaps or shortcomings in the company’s system, the company must be brave to spend money to pay for external auditor services. From some of the previous studies discussed, it can be concluded that when companies provide abnormal audit fees to external auditors, the audit quality provided by the external auditors will increase. This indicates that the abnormal audit fee given by the company to the external auditor is one of the interpretations of the proverb “*jer basuki mawa beya*” because it can improve the audit quality provided by the external auditor.

## 5. CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATION

The abnormal audit fee is an interpretation of a proverb that is used as a motto by the East Java provincial government “*jer basuki mawa beya*”. When a company provides an abnormal audit fee to an external auditor, there will be an increase in the audit quality provided by the external auditor. When the quality of the audit improves, it will be easier for the company to know the company’s condition at the time of the audit. This is of course very helpful for internal stakeholders to make improvements to gaps or weaknesses in the company system. Furthermore, the company will be able not only to make improvements, but also to develop a more adequate strategy for the progress of the company. By doing so, the company has got a complete information about the company’s real condition due to the increase in audit quality triggered by the provision of abnormal audit fees to external auditors. This situation is also in line with the theory of reasoned action where when an external auditor receives or does not receive an abnormal audit fee, it will have an impact on the external auditor’s beliefs, attitudes, intentions, and behavior in auditing company reports.

### Limitation

This study only uses literature studies that provide conclusions and inference in accordance with previous studies.

## REFERENCES

- Abdul-Rahman, O. A., Benjamin, A. O., & Olayinka, O. H. (2017). Effect of audit fees on audit quality: Evidence from cement manufacturing companies in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 5(1), 6-17.
- Asthana, S. C., & Boone, J. P. (2012). Abnormal audit fee and audit quality. *Auditing: a journal of practice & theory*, 31(3), 1-22.
- Blankley, A. I., Hurtt, D. N., & MacGregor, J. E. (2012). Abnormal audit fees and restatements. *Auditing: a journal of practice & theory*, 31(1), 79-96.
- Cahan, S. F., & Sun, J. (2015). The effect of audit experience on audit fees and audit quality. *Journal of Accounting, Auditing & Finance*, 30(1), 78-100.
- Choi, J. H., Kim, C., Kim, J. B., & Zang, Y. (2010). Audit office size, audit quality, and audit pricing. *Auditing: a journal of practice & theory*, 29(1), 73-97.
- Choi, J. H., Kim, J. B., & Zang, Y. (2010). Do abnormally high audit fees impair audit quality? *Auditing: a journal of practice & theory*, 29(2), 115-140.
- Corbella, S., Florio, G., & Mastrolia, S. A. (2015). Audit firm rotation, audit fees and audit quality: The experience of Italian public companies. *Journal of International Accounting, Auditing and Taxation*, 25, 46-66.
- Craswell, A. T., Francis, J. R., & Taylor, S. L. (1995). Auditor brand name reputations and industry specializations. *Journal of accounting and economics*, 20(3), 297-322.
- DeAngelo, L. E. (1981). Auditor independence, ‘low balling’, and disclosure regulation. *Journal of accounting and economics*, 3(2), 113-127.
- Eshleman, J. D., & Guo, P. (2013). Abnormal audit fees and audit quality: The importance of considering managerial incentives in tests of earnings management. *Auditing: a journal of practice & theory*, 33(1), 117-138.



- Ettredge, M., Fuerherm, E. E., & Li, C. (2014). Fee pressure and audit quality. *Accounting, Organizations and Society*, 39(4), 247-263.
- Francis, J. R. (2004). What do we know about audit quality? *The British accounting review*, 36(4), 345-368.
- Gupta, P. P., Krishnan, G. V., & Yu, W. (2009). You get what you pay for: An examination of audit quality when audit fee is low, Working Paper.
- Jung, S. J., Kim, B. J., & Chung, J. R. (2016). The association between abnormal audit fees and audit quality after IFRS adoption: Evidence from Korea. *International Journal of Accounting and Information Management*, 24(3), 252-271.
- Khan, M. M., & Javed, F. (2015). Quality and Audit Fees: Evidence from Pakistan. . CHIEF PATRON.
- Krauß, P., Quosigk, B. M., & Zülch, H. (2014). Effects of Initial Audit Fee Discounts on Audit Quality: Evidence from Germany. *International Journal of Auditing*, 18(1), 40-56.
- Madden, T. J., Ellen, P. S., & Ajzen, I. (1992). A comparison of the theory of planned behavior and the theory of reasoned action. *Personality and social psychology Bulletin*, 18(1), 3-9.
- Markelevich, Hoitash, R., & Barragato, C. A. (2005). Auditor fees, abnormal fees and audit quality before and after the Sarbanes-Oxley Act. . Abnormal Fees and Audit Quality Before and after the Sarbanes-Oxley Act (February 7, 2005).
- Moraes, A. J., & Martinez, A. L. (2015). Audit fees and audit quality in Brazil. *Controladoria e Contabilidade*, 15.
- Raden, A. Z. M., & Qeis, M. I. (2010). Puppetmorphic: Incorporating Local Culture to Achieve Distinct Structure in Figurative Calligraphy.
- Rusmanto, T., & Waworuntu, S. R. (2015). Factors influencing audit fee in Indonesian Publicly Listed Companies applying GCG. *Procedia-Social and Behavioral Sciences*, 172, 63-67.
- Salehi, M., Jafarzadeh, A., & Nourbakhsh-hosseiny, Z. (2017). The effect of audit fees pressure on audit quality during the sanctions in Iran. *International Journal of Law and Management*, 59(1), 66-81.
- Sukoharsono, E. G. (2019). Sustaining a Sustainability Report By Modifying Triple Bottom Line To Pentaple Bottom Line: An Imaginary Research Dialogue. *The International Journal of Accounting and Business Society*, 27(1), 119-127.