

## THE EFFECT OF AUDIT QUALITY ATTRIBUTES ON CLIENT SATISFACTION

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### ABSTRACT

*This study aims to determine whether the quality attributes affect the quality of the audit client satisfaction. The primary data were taken through questionnaires using non probability sampling with convenience sample technique. The sample being processed consists of 37 respondents that financial managers of companies already involved in services, trades and industries. The statistical analysis is OLS (Ordinary Least Square) using SPSS version 17.0. The results of this study concluded that audit quality attributes are formed by the attributes of experience in audit, understanding industry customer to respond to the needs of the client complying with common rules, the attitude of care, strong commitment to quality, audit firm, leadership participation doing work field properly, the participation of the audit committee, high ethical and not easily to believe simultaneously and partially are not influential significantly toward the customer satisfaction. In this case, such finding is in terms of significance level each of audit quality has significance level above 0.05 or 5 percent.*

**Key words:** Experience, Attitude of Care, Audit Committee, Leadership Participation.

## PENGARUH ATRIBUT KUALITAS AUDIT TERHADAP KEPUASAN KLIEN

### ABSTRAK

*Penelitian ini bertujuan untuk mengetahui apakah atribut kualitas ini mempengaruhi kualitas kepuasan klien audit. Data primer diambil melalui kuesioner dengan menggunakan non probability sampling dengan convenience sample technique. Didapatkan sampel sebanyak 37 responden manajer keuangan perusahaan dalam bidang jasa, perdagangan, dan industri. Analisis statistik menggunakan OLS (Ordinary Least Square) dengan bantuan SPSS versi 17.0. Hasilnya dapat disimpulkan bahwa atribut kualitas audit dibentuk oleh atribut pengalaman dalam melakukan audit, pemahaman pelanggan industri untuk menanggapi kebutuhan klien sesuai dengan aturan umum, sikap kehati-hatian, komitmen yang kuat terhadap kualitas, perusahaan audit, partisipasi kepemimpinan dalam melakukan bidang pekerjaan dengan benar, partisipasi komite audit, etika yang tinggi dan tidak mudah percaya secara simultan dan parsial tidak berpengaruh secara signifikan terhadap kepuasan pelanggan. Dalam kasus ini, temuan tersebut dalam hal tingkat signifikansi masing-masing kualitas audit memiliki tingkat signifikansi di atas 0,05 atau 5 persen.*

**Kata Kunci:** Pengalaman, Sikap Kepedulian, Komite Audit, Partisipasi Kepemimpinan.

## INTRODUCTION

Globalization affects the public corporation development and, at same time, also the development of the accountants in public practice in Indonesia. Now, more and more public practice accounting firms are influenced by such a globalization in Indonesia. The more the public practice accounting firms is the sharper the competition. These firms heavily depend on the audit fee of the company reviewed or audited. They companies have alternatives to choose or switch from one firm to other public accounting firm. The development of audit services leads a paradigm of the client of public accounting firms' clients to selectively use an audit services. Thus, this becomes a new challenge for the public practice accounting firm in strategy of marketing its audit service.

The more competitive the saturation of public practice accountant and the worse credibility of the public practice accountants become a burden and a challenge for the public accounting firms. To be able to compete in the future especially with the audit fee pressure and the slow addition of clients, the accounting firms should continually meet and maximizes the client and public expectation. To face these challenge the accounting firms should understand the factors determining the client satisfaction (Marini and Simon 2004).

The quality measure is one criteria used as a consideration. To know the client satisfaction needs a benchmark. For an example if something perceived by a client exceeds his/her expectation, then he/she will satisfy. Basically the satisfaction consists of three things that are the perceived quality, the perceived value, and the customer (client) expectation (Ridwan Widagdo et al. 2002). On the other side Tini Martini (2007) argued that the effort to maximum provide the client satisfaction reached if the accounting firm understands the factors influencing the audit client satisfaction.

The audit quality refers on the achievement of the auditing standards covering gen-

eral standards, field standards, and reporting standards. The users of the audit services are always forgotten, many the users of audit report criticizes the quality of accountant jobs (Marini Purwanto and Simon 2004). The audit quality should provide an explanation about the attributes determining the client satisfaction. The service quality and the client or consumer satisfaction is a different construct but has a close relation (Ridwan Widagdo et al. 2002). The audit quality is a probability that the auditor will find and report the breach of the client accounting system. Whereas, Nizarul Alim et al. (2007) explained that the audit quality was determined by the competency and the independency. Both of the things directly influenced the audit quality.

Basically, the study is same as Ridwan Widagdo et al. (2002) did. This study tries to explore whether there is an influence of the attributes of the audit quality toward the client satisfaction. The respondents are the financial managers and controllers in Surabaya. The study is expected to provide a recommendation for STIE Perbanas – Surabaya, the companies and the accounting firms about the consideration of the audit quality.

## THEORETICAL FRAMEWORK AND HYPOTHESIS

### Code of Conduct of Indonesian Institute of Accountants

Code of conduct of Indonesian Institute of Accountants is meant as guidance and rules for all members, both practiced as a public accountant, working in business, in government, or as a lecturer in compliance of professional responsibility. The code of conduct is a set moral principles and the implementation of rules guiding to the public accountants in dealing with a client, society, and the other accountant.

### Client Satisfaction

The satisfaction is a feeling happy or disappointed that appears after comparing the performance (result) of the product that is

thought toward the performance (result) that is expected. If the performance (result) is below the expectation, the customer will not be satisfied. If the performance meets the expectation the customer will be satisfied. If the performance exceeds the expectation the customer will be satisfied very much or feel happy (Kotler and Keller 2006:177). The level of the client satisfaction is a client evaluation against the services they receive. In addition, the client satisfaction reflects the all client experience or impression of its experience consuming the service.

### **Audit Quality**

The audit quality is conformity between what is expected and what is perceived. The product quality is an important success factor for an organization. The ability of an organization to produce a qualified product or service is a success factor for the future achievement (Ridwan Widagdo et al. 2002).

### **The Audit Quality is Produced from the Experience Attributes to Audit**

An auditor should always serve as an expert in accounting and auditing. The achievement in this expert is started in a formal education expanding through the next experiences in audit practices. To qualify the requirement as a professional expert, an auditor should sufficiently and adequately practice and training covering the technical aspect or the general education (Ikatan Akuntan Indonesia 2001).

### **Audit Quality Performed from the Attributes to Understand the Client Industry**

An auditor should get knowledge about the client business entity, its organization, and its operational characteristic. Some of them are the business type, the type of product and service, the capital structure, the parties having a special relationship, the client location, the production, distribution, and compensation methods. Understanding the client business is an integral part of a pro-

fessional work meeting with the standards of audit quality (Ridwan Widagdo et al. 2002).

### **Audit Quality Performed from Responsive Attributes of the Client Needs**

The opinion of an auditor is a center of an attention when an accounting firm audits a company whereas the client needs many thinks not just an opinion. But a client also expects to obtain a benefit of the expertise and knowledge of the auditor in this business and expects the auditor provides an advice without asked (Ridwan Widagdo et al. 2002).

### **Audit Quality Performed from Compliance Attributes on the General Standard**

The general standard is personal and relating with the requirement and the job quality of the auditor. The general standard is different with the field standard and the reporting standard. This personal and general standard applies equally in the field working and reporting (Ikatan Akuntan Indonesia 2001).

### **Audit Quality Performed from the Independency Attributes**

The attitude of the independency means that the auditor doesn't be easily influenced. It means that the auditor will report what it is found in an audit process. The independency is the 2<sup>nd</sup> general standard of the three audit standard establish by Indonesian Institute of Accountants stating that in relating with the engagement the independency and the mental attitude should be uphold by auditor.

### **Audit Quality Performed from the Due Care Attributes**

The professional due care requires the members to meet their professional competent and diligent responsibility. It is means that the member has an obligation to carry out the good its professional service fit with its ability in the interest of the service user and consistent with the professional responsibility to the public (Al Haryono Yusuf 200: 96).

### **Audit Quality Performed from the Strong Commitment Attribute to an Audit Quality**

The accounting firm should have a strong commitment to perform an audit with a high quality. Without a commitment, the client and the user of the financial report will not believe to the financial report that is audited by the accounting firm. The strong commitment can be shown before, at this time, and after auditing. The accounting firm is a service relying on the public trust (Tini Martini 2007).

### **Audit Quality Performed from the Leadership Involvement of the Accounting Firm**

The satisfaction in communication received by the all employees will impact the productivity (Marini Purwanto and Simon 2004). Beside it, (Tini Martini 2007) explained that the involvement of the chief of the accounting firm can motivate the client trust in performing of the examination. The implication of this motivation is a creation of the customer satisfaction.

### **Audit Quality Performed from the Right Field Work Attributes**

The 1<sup>st</sup> field standard requires that “the auditor must adequately plan the work and must properly supervise any assistants”. The consideration of the 1<sup>st</sup> field standard triggers awareness that the early determination of the independent auditor will provide many benefits to the auditor or the client itself (Ikatan Akuntan Indonesia 2001).

### **Audit Quality Performed from the Involvement of the Audit Committee**

The audit committee is an agency performed by the board of commissioners to help the board of commissioners to control the company. Among others the audit committee serves to choose and value the performance of the accounting firm auditing the company (Susiana and Arleen Herawati 2007). The audit committee is needed in business organization to control the audit process and to

allow the realization of honesty financial reporting. It can be reached if the audit committee effectively works (Ridwan Widagdo et al. 2002).

### **Audit Quality Performed from the High Ethics Standard**

In the effort to improve its accountability an auditor should enforce the high professional ethics to provide a public trust. The qualified audit is most important to ensure that the professional accountant meets his/her responsibility to investor, the public, the government and the other parties relying on the audited financial report (Ridwan Widagdo et al. 2002). By enforcing the high professional ethics and auditor still is in the right “track” so the audit process can provide the satisfied result for the client as a user.

### **Audit Quality Performed From the Skepticism Attributes**

The audit of the financial report based on the audited standard established by The Indonesian Institute of Accountants should be planned and performed with a professional skepticism. The professional skepticism is an attitude including the mind that always critically questions and evaluates the audit evidence (Ikatan Akuntan Indonesia 2001). It means that the auditor should not assume the management is a dishonest person. But the auditor should not also assume that the management honesty is not questioned. This attitude will provide a qualified audit result and a client satisfaction.

The framework of the study is shown in Figure 1. Based on the background of the research problem, the literature review and the research framework the hypothesis of the study is

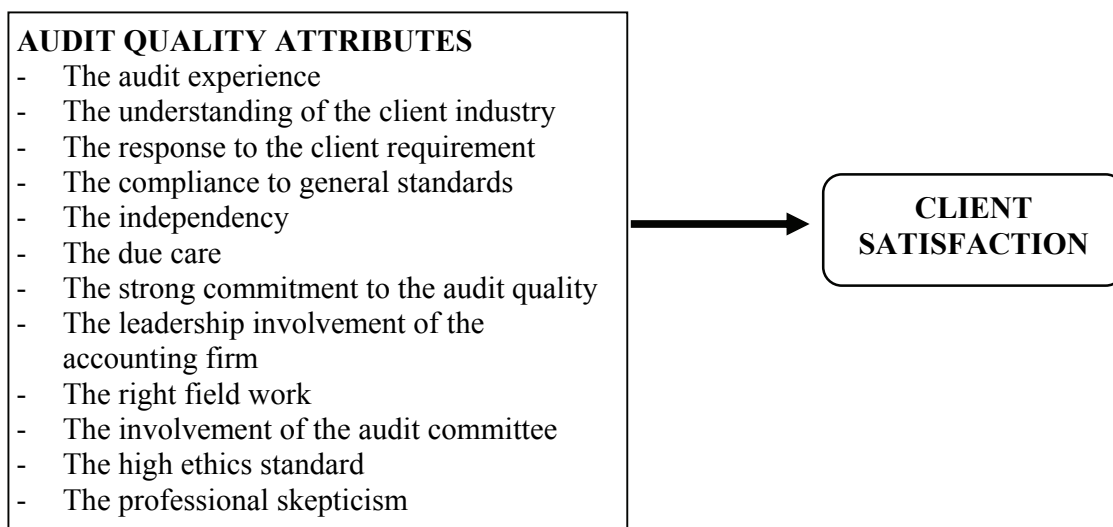
H<sub>1</sub> : the audit attributes influence the client satisfaction.

## **RESEARCH METHOD**

### **Research Design**

The study is a hypothetical testing category

**Figure 1**  
**The Research Framework**



rized as a causal research, finding the causal or the relationship that influences or be influenced by research variables (Istijanto 2009: 31). The research data is the opinion of the individual respondents.

#### **Identification of Variables**

Based on the research framework the indicators used as guidelines for discussion in this study consist of:

Dependent Variable is the client satisfaction  
Independent Variables are: Audit quality with twelve (12) indicators consists of (1) The audit experience; (2) The understanding of the client industry; (3) The response to the client requirement; (4) The compliance to general standards; (5) The independency; (6) The due care; (7) The strong commitment to the audit quality; (8) The leadership involvement of the accounting firm; (9) The right field work; (10) The involvement of the audit committee; (11) The high ethics standard; and (12) The professional skepticism

#### **Operational Definition and Variables Measurement**

The operational definition and the variables measurement as follow:

**Audit quality variable** is conformity between what is expected and what is per-

ceived. This variable is measured on the basis of the respondent's statement related with twelve (12) audit quality attributes.

**Client satisfaction variable** is a level of the client expectation to the audit service of the accounting firm. This variable is measured on the basis of the respondent's statement related with the level of the client satisfaction to the audit service of the accounting firm.

The two variables are measured by the instruments adopted from the research of Ridwan Widagdo et al. (2002) that is Likert scales with five points.

#### **Population, Samples, and Sampling Technique**

The population consists of all companies in service, trading, and industry sectors in Surabaya with the provisions that these have been audited. The respondent criteria used in this study are financial managers or controllers. The study uses Non Probability Sample with Convenience Sampling convenience.

#### **Analysis Technique**

##### **T – Test**

T – Test is used to determine what the unrelated two samples has a different averaged values (Imam Ghazali 2006: 55).

### Hypothesis Testing

The statistical tool is Ordinary Least Square (OLS). The steps to meet the OLS model according to (Imam Ghazali 2006: 82) as a main assumption basing the classic regression model are as the following.

Linear regression model that means linear in the parameter as in the following equation:

1.  $Y_i = b_1 + b_2X_i + \mu_i$  (1)
2.  $X$  is assumed non-stochastic that means  $X$  is assumed as fixed in the repetitive samples.
3. The averaged error is zero.
4. Homoscedasticity means that the error variance is same in the every period (Imam Ghazali 2006: 105).
5. There is no autocorrelation between errors.
6. Between  $\mu_i$  and  $X_i$  mutual free, then  $\text{cov}(\mu_i/X_i) = 0$ .
7. The amount of observation,  $n$ , should be bigger than the amount of the estimated parameters (the amount of the independent variables).
8. There is variability in  $X$ , which means  $X$  should be different.
9. The regression model is well specified. In other word there is no a specification deviation or error in the model used in the empirical analysis.
10. There is no a perfect multicollinearity between the independent variables. (Imam Ghazali 2006: 89-90).
11. The error,  $\mu_i$ , is normally distributed.

## DATA ANALYSIS AND DISCUSSION

### Description of the Research Subject

The distribution of the questionnaires to the companies in service, trading, and industry in Surabaya was done through two steps. In the 1<sup>st</sup> step the returned questionnaires are twenty three (23) – 32.6% of seventy (70) questionnaires. In the 2<sup>nd</sup> step the returned questionnaires are fourteen (14) – 37.8% of thirty seven (37) questionnaires. Overall the returned questionnaires are thirty seven (37) with the all response rate of 34.91%.

### Descriptive Analysis

The respondent response against the questionnaire of audit quality provides the highest score at item of KA1 that is 159 with the averaged score of 4.30%. It means that the average score is in interval of  $4.21 < x \leq 5.00$ . It can be interpreted that the averaged respondents (the financial managers) strongly agree about the statement that all accounting firms' and audit teams (at a level supervisor upward) should have a sufficient experience in auditing the company. While of twelve statements that strengthen the audit quality are the questionnaires having the lowest total score with the average score is 3.68%. This is in KA8 item as many as 136 respondents. It means that the average score is in interval of  $3.41 < x \leq 4.20$ . It can be defined that the averaged respondents that in this study are financial managers agree about the statement that the chief public accountants actively involve in audit process.

The respondent's response to the questionnaires of the client satisfaction shows the highest score of 3.84. This is in KK13 item as many as 143 respondents. It means the average score is in interval of  $3.41 < x \leq 4.20$ . It can be interpreted that the averaged respondents (the financial managers) agree with the statement that it has a good performance of the accounting firms in auditing the client company. The lowest score is in KK16 item value at 134 with the average score 3.62%. It shows that the average score is in interval of  $3.41 < x \leq 4.20$ . It can be defined that the averaged respondents are financial managers agree about the statement that the optimum submission of service from the accounting firms and the members of the audit team in the client company.

### Validity and Reliability of Data

The validity test of the correlation between each questionnaires (KA<sub>1</sub> – KA<sub>12</sub>) against the total of the questionnaires (audit quality) illustrates the significant result that is  $< 0.05$ . Similarly the questionnaires (KK<sub>13</sub>

–  $KK_{16}$ ) are valid as the client satisfaction item because each questionnaire has the significant correlation value  $< 0.05$ . It can be concluded that each questionnaire is valid. The reliability test reveals that value  $r$  alpha or cronbach alpha of each variable is  $> 0.60$ . It can be summarized that the audit quality variable and the client satisfaction variable are reliable to be used in this study.

### Classical Assumption Test

Based on P-P Plot normality test and Kolmogorov Smirnov Test is summarized that the data used are normally distributed. In the attributes of the audit quality the multicollinearity test didn't find correlation among the variables because there wasn't the tolerance score less than 0.10. It means that there were correlations between the audit qualities attributes that the score is 0.95. The calculated Variance Inflation Factor (VIF) also indicated that there weren't the audit quality attributes. The heteroscedasticity testing of the regression model is shown that there wasn't a heteroscedasticity in the model. It means that the regression model in this study is fit for use to predict the client satisfaction based on the audit quality attributes.

### T-Testing

This test will check if there is a difference of the characteristic between the respondent returning the questionnaires and the respondent that don't return questionnaires. The 1<sup>st</sup> period used twenty three respondents and the 2<sup>nd</sup> period used fourteen respondents.

In this test, it shows whether the characteristics of respondents who returned the questionnaire provide the responses are different from those who did not return the questionnaires. However, the first period of 23 respondents and the second period 14 respondents, the bias test results with independent samples t test is -0.653 and 1.085 with significant levels of both vari-

ables well above 0.05. That is equal to 0.518 and 0.306. Thus, the results of the test of non-response is bias on the attributes of audit quality and client satisfaction questionnaire to the distribution of the first stage and the second stage as it is based on responses to questionnaires from respondents with no significant difference or no bias.

### Hypothesis Testing

Using OLS analysis, F test results note that the calculated F value is 2.039 with a significant level of 0.066. This indicates that the null hypothesis is accepted, stating that audit quality attributes have no effect on client satisfaction. It is indicated by the adjusted R square of 0.257 or 25.7 percent.

Such result shows that variation can be explained by the gratification of client attributes that form of audit quality attributes of auditing experience (KA1), understanding industrial clients (KA2), responsive to the needs of the client (KA3), adhere to common standards (KA4), independence (KA5), caution (KA6), a strong commitment to quality audit (KA7), the involvement of the leadership of KAP (KA8), doing field work properly (KA9), the involvement of the audit committee (KA10), high ethical standards (KA11), and not easy to believe (KA12).

On the other hand, 74.3% (100% - 25.7%) can be explained by other causes outside the model. A test result of t is known that all these attributes do not affect the quality of audit client satisfaction. The following describes each audit quality attributes that do not affect the client's satisfaction, such as the following.

### *Perform Audit experience attributes (KA1)*

Clients are more restrictive and dominating the auditors in order they work in accordance with the wishes or expectations of the client. Clients tend to expect auditors to audit the companies that do not need to have experience, but are willing to meet the cli-

ent's expectations.

***Attributes of Understanding the Client Industry (KA2)***

More clients want the auditor to work according to the wishes or expectations of clients and available to communications. Satisfaction, basically, involves three things, namely the perceived quality, perceived value, and customer expectations (Ridwan Widagdo, et al. 2002).

***Attributes of Responsive to Client Requirements (KA3)***

More client expects auditors to audit the company are unable to communicate with clients about their needs and expectations. So, the clients choose and decide to have that firm because they see the sincerity and seriousness of the firms in the needs of its clients.

***Attributes of Obedient In Public Standards (KA4)***

Clients assume that the more the auditors adhere to any general standards, they feel disturbed and they cannot express all expectations they desire.

***Attributes of Independence (KA5)***

The auditors face a conflict between maintaining objectivity in working and the demands or pressures from clients, where there is a conflict that can occur causing the client's dissatisfaction because they perceive the auditor cannot work according to what they expect.

***Awareness Attitude Attributes (KA6)***

Clients dominate and limit the auditors more that the auditor's work is in accordance with the wishes of the client due to the inadvertent attitude which is difficult for an auditor to communicate in accordance with what is desired by the client.

***Attributes of Strong Commitment to Audit Quality (KA7)***

Clients expect that audit examination is con-

ducted by the auditor that must be in accordance with the wishes or expectations of the client.

***Involvement Leadership Attributes (KA8)***

Financial managers do not know the audit engagement team leaders because they usually deal directly with junior auditors, while senior executives or auditors are directly related to higher levels. This will make the clients feel satisfied.

***Attributes of Doing jobs with Proper Work (KA9)***

More clients dominate and limit the client in performing audit procedures that the auditor's clients wanted to work in accordance with the wishes of the client and can be invited for communication.

***Attributes of Committee Involvement (KA10)***

In the view of the client, if the auditor is frequently communicating with the board of directors or the audit committee in their work, they will not be maximized, meaning the auditors should relate directly to the clients. This is because it will make them know more about the condition of the financial statements of the clients. While the board of directors only know in general terms, but less detailed. Therefore, the most likely outcome is not as expected audit client.

***The High Ethical Standards attributes (KA11)***

Clients prefer or want the auditors to work in accordance with the wishes of the client due to the high ethical support of the auditors that is difficult for the clients to communicate directly with the auditors in accordance with their wishes. This is due to the need to achieve the satisfaction for a balance of what is expected and what is perceived.

***Attributes of Not Easy to Believe (KA12)***

Clients will feel uncomfortable and dissatisfied if the auditor in carrying out their duties



is in high suspicion against them.

### CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

In general, the results of research conducted by Ridwan Widagdo et al. (2002) are different from this study for these yields a new discovery of audit quality attributes that is of seven attributes that audit quality has no effect on client satisfaction. The attributes include auditing experience (KA1), understand the client's industry (KA2), responsive to the needs of the client (KA3), adhere to common standards (KA4), a strong commitment to quality audit (KA7), the involvement of the leadership of KAP (KA8), and the involvement of the audit committee (KA10).

In terms of reflected attributes above, it is due to the fact that most clients want to implement the audit in which the auditors find their clients requesting that their work must be in accordance with the client's expectation. It is expected that the auditors can communicate with clients for making them feel happy and satisfied with the performance of all the auditors' performance and their audit teams.

Some limitations embedded in this study is concerned with the minimal number of samples, measuring variables rely solely on the perception of respondents through questionnaires that may not fully reflect the real situation.

Therefore, suggestion can be done that the next research should such as (1) increase the number of sample means that is not just limited to the city of Surabaya. For example it can be expanded to East Java or companies that go public. By doing so, they can get more number of respondents who completed a questionnaire, (2) should do a direct interview with respondents to get the different results of the present study, (3) for the public accountant's offices (KAP), and they could improve the quality of audit services of their members with quality control. Especially they deal with the members, namely the accounting

profession through continuing education and strict rules to become more professional accountants.

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