THE INFLUENCE OF ORGANIZATION AND GOVERNANCE OF PUBLIC ACCOUNTING FIRM AND POLICY DETERMINATION OF FEE ON AUDIT QUALITY

(Survey on Public Accounting Firms at Bandung)

Yuniati¹
Master of Accounting Universitas Padjadjaran, Bandung, Indonesia
Lecturer in High School of Economics Muhammadiyah Bandung, Indonesia
Email: yuniati@stiemb.ac.id

Poppy Sofia Koesewayo²
Lecturer of Padjadjaran University, Bandung, Indonesia
Email: poppysofia_ppa@yahoo.com

Fury Khristianty Fitriyah³
Lecturer of Padjadjaran University, Bandung, Indonesia
Email: fury@unpad.ac.id

ABSTRACT

This study was conducted based on the phenomenon that occurred about the low quality audit. The purpose of this study is to determine the influence of the organization and governance of Public Accounting Firm on audit quality and the influence of fee fixing policy toward audit quality.

This research method using quantitative method with multiple linear regression equation model. This study was conducted at Public Accounting Firm in Bandung City, amounting to 30 Public Accounting Firm. Data analysis techniques used in this study is multiple linear regression analysis using SPSS software version 23.

The results of empirical research to prove that at the level of 5% significance in Public Accountants in Bandung show the organization and governance Public Accounting Firm effect on audit quality. By measuring audit quality measured by IAASB's "A Framework for auditing quality-elements that creates an environment for audit quality" and the policy of fee fixing affect the quality of the audit.

Keywords: Organization and governance of Public Accounting Firm, policy determination of fee, Audit Quality
INTRODUCTION

Background Research

The development of business entities today brings many consequences for the parties involved in it. The occurrence of conflict between the shareholders (principal) with the management (agent) is the result of the unfulfilled expectations management can optimize the value of the company or management expectations that owners can optimize the welfare of management. Agent has a personal interest that goes against the interests of the principal, resulting in problems that cause the company's activities disrupted (Jansen and Meckling, 1976). In order to cope with differences in interests that ultimately affect the fairness of financial accountability by management in the form of financial statements, an independent party may be required to handle the conflict, known as an independent auditor or public accountant (Arens, Elder and Beasley, 2014).

The more complex and the extent of corporate activity transactions require an accountant to always anticipate with the application of a reliable accounting system. On the other hand, the greater expectation of stakeholders (Stakeholders) so that the implementation of a better corporate governance system. The increasing demand for transparency and accountability from Stakeholders encourages the company's management to be more cautious in stepping up and be able to account for its activities more accurately. (Mathius Tandiontang, 2016: 54).

Although Stakeholders' demand for transparency and accountability has encouraged the management of the company to be more cautious in stepping up and accountable for its activities, it is not always possible (Knechel, et al., 2013). There are various interests and conditions that cause the management of the company either individually, or in cooperation with the public accountant as an independent auditor, conduct activities that will harm Stakeholders.

Public Accounting Firm (KAP) in the provision of services realize that increasingly keen competition between KAP, has encouraged the provision of audit services financial statements in the category difficult to be implemented while maintaining professional behavior. As a result, there are KAPs that are concerned with large clients and profits, so that the Professional Ethics of Public Accountants can no longer be enforced properly. Violation for violation is a record that can reduce the image of the Public Accountant Profession, such as the deliberate manipulation of financial statements in order to keep the company's shares desirable to investors (Mathius Tandiontang, 2016: 54).

Accounting scandals that occurred in Indonesia, also never separated from the role of Public Accountants and still often occur in every year. It is allegedly the violation has increased. This can be seen from Graph 1 as follows:

Graph 1
PCAOB sanctions against Auditors and Firm based
Year 2005 S / D 2017
Source: PCAOB (Public Company Accounting Oversight Board), 2017
Graph 1 above shows that every year there is an increase in sanctions provided by PCAOB to auditors and KAP. The most significant increase in sanctions occurred in 2016, where PCAOB gave 53 sanctions to auditors and KAP, suggesting a 31-sanction increase compared to 2015.

Similarly, PCAOB sanctions against auditors and State-owned Firms (see Chart 2), where the Big Four has affiliates in that country. The United States ranks first with 111 sanctions, followed by Brazil with 13 sanctions. In fact, Big Four affiliates in Indonesia there are also 2 sanctions. The most recent sanction in Indonesia, granted to EY’s affiliates in February 2017 for violations committed during the audit of PT Indosat Tbk, for the 2011 audit year (PCAOB, 2017).

In addition, there is also a phenomenon of audit quality of Public Accounting Firm which is considered low quality by the public because there are still many Public Accounting Firms that do not comply with SA-SPAP with the occurrence of cases of violations by the Public Accounting Firm (KAP) / AP in Indonesia which still occur in year 2017, presented on the graph as follows:

From graph 3 above shows that upon the sanction given to 13 AP / KAP in Indonesia for violations committed in connection with SA-SPAP which occurred in January to June of 2017, the researcher chose Bandung as a place of research because Bandung city can reflecting the characteristics of the Public Accounting Firm imposed sanctions. Where based on the data directory of 2017 city of Bandung with the number of registered KAP as much as 30 KAP, there are 3 KAP that get sanction in January s / d June 2017. This shows the presentation of 10% of the number of registered KAP which is subject to sanctions violations related to SA-SPAP.
So according to Bandung city researchers when viewed from the presentation can represent as a place in this study.

From the above phenomenon, it shows that the violations committed by KAP / AP are related to the lack of effective organization and governance in the Public Accounting Firm, where the SA-SPAP is not obeyed in the audit of public accountant and the creation of a high honest and ethical culture KAP environments. Determination of tone at the top in Public Accounting Firm is conducted on ethical conduct in Public Accounting Firm. Tone at the top based on honesty and integrity will form the basis for a more detailed code of conduct, which can be developed to provide more specific guidelines on permissible and prohibited behavior. (Arens, 2014: 408-409).

Tone at the top is also described in the audit quality indicator guidelines at the Public Accounting Firm published by IAPI in October 2016, and in SPM 01 that adequate organization and governance determine the quality of audits produced by Public Accountants, where it is stated that the Public Accounting Firm must led and managed by an independent Public Accountant with an internal culture of "tone at the top".

The results of research related to the organization and governance (corporate governance), among others, Azrul Ihsan Husnin, et.al (2016) examined the Corporate Governance and Auditor Quality-Malaysian Evidence. The result of the research is the correlation between corporate governance and the mechanism of auditor selection and audit quality, where the results have a significant effect on audit quality.

Yu-Shan Chang., Et.al (2015) examines The Association Between Corporate Governance and Audit Quality: Evidence From Taiwan. The results of his research corporate governance effect on audit quality through auditor independence.

Deumas., Et.al (2012) examines the factors of Corporate Governance, Firm Audit and Transparency Report associated with audit quality. The results of his research is known corporate governance has a significant influence on audit quality.

Soliman, Mohamed Moustafa, Mohamed Abd Elsalam (2012) examines the Corporate Governance Practices and Audit Quality: An Empirical Study of the Listed Companies in Egypt. The result of the research is known that corporate governance has significant influence and has significant correlation with audit quality.

And research conducted by Adeyemi, Semiu Babatunde, Lagos State, Temitope Olamide Fagbemi, Kwara state (2010) examines Audit Quality, Corporate Governance and Firm Characteristics in Nigeria. The result of research shows that corporate governance component significantly influences audit quality.

In addition to the organization and governance of the Public Accounting Firm, the fee setting policy also determines the quality of audits produced by Public Accountants. As described in the IAPI, 2016 where to provide confidence that the KAP organization works properly and the associates and auditors can carry out audit engagements in accordance with professional standards, codes of conduct and applicable legal provisions, the Firm must obtain adequate service rewards. The Public Accountant Act grants the Public Accountant the right to receive service rewards. The Public Accountant may determine the amount of service rewards independently and independently based on the needs and professional judgment.

The results of research related to the policy of fee fixing are done by Mahdi Salehi Azadeh (2017) examining the effect of audit fees pressure on audit quality during the sanctions in Iran. The result of the research concludes that audit fee pressure has significant and significant effect on audit quality.

Zavara Nur Chrisdinawidanty & Hiro Tugiman (2016) examined the effect of auditor ethics and audit fee on audit quality. The result of the research shows that auditor ethics and audit fee have positive and significant effect on audit quality.

I Komang Agus Julianto (2016) examines the influence of audit fees, audit planning, and audit risk on audit quality. The results showed audit fees have a positive effect on audit quality.
Listya Yuniastuti Rahmina and Sukrisno Agoes (2014) examine the influence of auditor independence, audit tenure, and audit fee on audit quality of members of the capital market accountant forum in Indonesia. The results showed audit fees have a positive and significant impact on audit quality.

Margi Kurniasih (2014) examines the effect of audit fees, audit tenure, and audit rotation on audit quality. The result of the research shows that audit fee has a significant positive effect on audit quality, audit of tenure has a significant negative effect on audit quality and audit rotation has a significant positive effect on audit quality.

Andi Sulfiati (2014) examines the effect of fee and audit tenure on audit quality at Public Accounting Firm. The result of the research shows that audit fee has an effect on audit quality which means higher audit fee, the audit quality will increase and audit audit affect the audit quality.

Similarly, Francis's (2011) study examined A Framework for Understanding and researching audit quality. The results show that in achieving better audit quality there should be greater disclosure of practitioners and regulators, in terms of common goals to better understand some quality audit drivers that can make the audit better and can help the institutions that manage the audit make cost effective policies or fees that will improve audit quality.

Referring to all the above phenomena, it shows that the Public Accounting Firm (KAP) and Public Accountant has not optimally meet the expectations of service users in providing high quality audit services.

Nevertheless, researchers have a common opinion about audit quality measurement. As with research conducted by Amin Siregar (2009), Knechel, et.al (2013) and Sugiono paulus (2015) audit quality measurements require a combination of input quality quality, process quality, output quality, and context quality. But researchers also have differences with previous research because in the measurement of audit quality researchers added quality indicators interactions in accordance with IFAC 2014.

Based on the above description, to understand the quality of the audit more deeply, it is necessary to understand the factors that influence it. Factors suspected to affect audit quality in this research, namely organization and governance of Public Accounting Firm (KAP) and fee setting policy. So the authors are interested to take the title of research with the title "The Influence of Organization and Governance Public Accounting Firm And Fee Policy Determination Against Quality Audit (Survey Of Public Accountant Firm In Bandung).

Formulation of the problem

Based on the background that has been described previously and to be able to conduct research effectively then the researcher makes a problem formulation as a basis for conducting research as follows:

1) How much influence the organization and governance of Public Accounting Firm on audit quality in Public Accounting Firm in Bandung.

2) How much influence the policy of fee fixing on audit quality in public accounting firm in Bandung.

Research purposes

In connection with the formulation of the previous problem, this study aims to know:

1) The amount of influence of organization and governance of Public Accounting Firm on audit quality in Public Accounting Firm in Bandung.

2) The amount of influence of the policy of fee fixing on audit quality in Public Accounting Firm in Bandung.

Usefulness Research

Practical Benefits

For related parties, namely:
1) Public Accounting Firm in order to improve the organization and good governance of Public Accounting Firm and the policy of fee setting so as to improve audit quality to auditee
2) Public Accounting Firm in order to improve the quality of the audit so that the quality of the audit that is given to the auditee.

The Benefits of Further Researchers

As a further research material in the field of auditing, especially regarding the organization and governance of Public Accounting Firm, the policy of fee setting and audit quality.

REVIEW OF LITERATURE, FRAMEWORK FOR THINKING AND HYPOTHESES

Theory of Contract (Contracting Theory) The Contracting

The Contracting Theory of Spicer (1978), which states that this contract theory is used to explain that the organization of the Public Accounting Firm is a collection of contracts between various interests, including contract partners with clients, junior auditors, employees of the Public Accounting Firm, government, and other parties having an interest in the Public Accounting Firm.

Theory Agency (Agency Theory)

The agency theory first developed by Jensen and Meckling in 1976 looked at the relationship between the manager and the owner. In the agency relationship occurs a contract between one party, namely the owner (principal), with other parties ie agents (Jensen & Meckling, 1976).

Quality Audit

According to Francis, J. R (2011) audit quality is a combination of both, the quality component of the audit process and the quality of the auditor (auditor), wrapped by high-quality judgment professionals. Both components are documented by auditors in their audit work papers. According to Knechel et al. (2013) audit quality is a combination of a systematic systematic examination process, in accordance with generally accepted standards, with high-quality judgment auditors employed by competent and independent auditors, in applying the inspection process to produce a high quality audit. According to Arenss et., Al. (2014: 105) audit quality is how an audit detects and reports material misstatements in the financial statements. The detection aspect is a reflection of auditor competence, while reporting is a reflection of ethics or an auditor of integrity that is primarily independence.

So based on the definition according to Francis, J. R (2011), Knechel et., Al (2013), Arenss et., Al. (2014: 105) it can be concluded that substantially, audit quality is the auditor's ability to properly collect and provide judgment on audit evidence (competence) (in accordance with common acceptable GAAS audit standards), detect and report material misstatements in the accounting system independent).

Audit Quality Measurement

Based on the "A Framework for auditing quality-elements that creates an environment for audit quality" published by IAASB in February 2014, the audit quality framework consists of inputs, processes, outputs, contextual and interactions. Kenchel et al. (2013), measures audit quality with Indicator of audit quality indicators: inputs consist of incentives and motivations, professional skeptics, knowledge and expertise and within firms pressure. Indicator of audit quality: Process consists of Judgment in the audit process, Audit Production, Assessing procedures, Obtaining and evaluating audit Evidence Outcomes: restatement or litigation, Financial reporting quality; discretionary accruals or accounting conservatism, Audit report and Regulatory reviews of audit firms, Indicator of audit quality: Context consists of Audit partner compensation, Abnormal audit fee, Non-audit fees, Audit fee premium, Audit tenure and Market percept of audit quality. This is done in the research of Amin
siregar (2009) and Sugiono paulus research (2015), which measures audit quality using input quality indicators, process quality, output quality and context quality. Thus, the quality of audit in this study is interpreted as the probability of an auditor in finding and reporting an error or misappropriation that occurred in a client accounting system. Audit quality is measured using balanced quality indicators (financial and non-financial) of the five categories of inputs, processes, outputs, contexts and interactions.

Organization Definition

According to CHR. Jimmy L. Gaol (2015: 27) organization is an association between two or more people who work together and have a bond to achieve a common goal. If all activities of the organization/company are still possible to be done by the owner of the organization/company, the owner acts as the leader and manager who manages it assisted with its members. The three basic elements of an organization are human interaction, activities that lead to goals and structure. According to Ngusmanto (2017: 24) organization is a tool for leaders to achieve the goals set. Thus, a wise leader (arif) is a leader who is able to create and maintain a sound, proper and sound organization, which is a good organization in its organizing process and in its existence and operation.

From the definition according to Jimmy L. (2015: 27), Ngusmanto (2017: 24) it can be concluded that there are points about the organization among others, a number of people together, the form of agreement by a group or several groups of people, tools, and methods to run the organization, the constraints that must be met achieve a favorable goal for the organization.

Definition of Corporate Governance

Corporate Governance is a term that was first popularized by Cadbury Committee in 1992. Then by Organization for Economic Corporation and Development (OECD) was adopted into 4 principles of Good Corporate Governance (GCG), Fairness, Transparency, Accountability (Accountability), and Responsibility (Responsibility). KNKG, in his book entitled general guidelines of good corporate operation Indonesia in 2006, explained that GCG is one of the pillars of market economic system. GCG is closely related to the trust of companies that implement it and the business climate in a country. According to Lukviarman (2016: 43) corporate governance can be described as a tool (in the form of structures and mechanisms) that provide rules and regulations that will be used in organizations in carrying out their activities to achieve organizational goals.

From the definition of Cadbury Committee (1992), KNKG, Lukviarman (2016: 43) it can be concluded that corporate governance is a pillar of economic system, the tools can be structures and mechanisms that provide rules and regulations that the organization will use in carrying out its activities to achieve goals organization, with 4 principles of Good Corporate Governance (GCG), namely fairness, openness, accountability and accountability.

Measurement of Organization and Governance (Corporate Governance) Public Accounting Firm

Based on the audit quality indicator guideline at the Public Accounting Firm published by IAPI in October 2016 is Determination of KAP Organization. KAP has established an organization within the Firm that serves to handle and implement aspects related to quality control, ie risk management, ethics and independence, training, learning and development, quality assurance, and technical inquiry.

Elements of quality control that must be applied in the governance of Public Accounting Firm based on SPM no. 1 is the responsibility of KAP leadership on quality, Provisions of applicable professional ethics, Acceptance and sustainability of relationships with specific clients and engagements, Human Resources, Implementation of Engagement, Monitoring and Documentation.

Furthermore, according to Soekrisno Agoes (2014: 20-21), explains the elements of quality control consisting of (1) independence, integrity, and objectivity, (2) personnel management, (3) Client acceptance and sustainability and assignment, (4) Performance Assignments, and (5) Monitoring.
Furthermore, according to Arens (2014: 45) elements of quality control consist of Responsibilities of leadership for the quality of the company (tone at the top), relevant ethical requirements, acceptance and continuity of clients and assignments, Human Resources, Performance assignment and Monitoring.

And according to Tuanakotta (2014: 113) QC System and internal control elements at KAP level, consisting of the Leader's responsibility for quality in KAP, Relevant ethical obligations, Human resources, Receiving and continuing relationships with clients and specific assignments, QC System Documentation, Implementation of assignments, Monitoring proceeds on QC policies and procedures in the Firm.

From the above description it can be concluded that the organization and governance of public accounting firm in this study refers to the dimensions of organization in the KAP, KAP leadership responsibilities on quality, provisions of applicable professional ethics, acceptance and sustainability of relationships with clients and certain engagements, resources human beings, implementation of engagement, monitoring and documentation (Indicators of IAPI 2016, SPAP (SPM 01), Soekrisno Agoes (2014), Arens (2014), Tunakotta (2014)).

Definition of Fee Decision Policy

According to Sukrisno Agoes (2012: 56) audit fee is the reward given to or received from clients or other parties to obtain engagement from clients or other parties. Based on Government Regulation No. 2 of 2016 issued by IAPI regarding the determination of fees for audit of financial statements in Article 1, defined benefit fee is the remuneration received by Public Accountant from its client entity in connection with the provision of audit services. So it can be concluded that the policy of setting audit fee is the policy of determining the amount of fee or reward given by the client to public accountant in return for services provided by public accountant in the form of audit services.

Measurement of Fee Decision Policy

According to Sukrisno Agoes (2012: 54) indicators of audit fees can be measured from: Risk assignment, Complexity of services provided, Cost structure of the relevant public accounting firm and other professional considerations, KAP Size. According to Wahyudin (2012) the measurement of audit fee is done by using dimension, Characteristic of client consists of Complexity of services provided, Audit Risk and Efforts needed and Accounting Firm's size consisted of Cost Structure of Public Accountant Firm and Size of Public Accountant Firm. As based on Government Regulation Number 2 Year 2016 issued by IAPI in CHAPTER II concerning service fee in the first part of the Right to service reward Article 5, it is explained that in the policy of determining the consideration of the service shall pay attention to the following: (1) Each member acting as the Peer Leader and / or Public Accountant the KAP should establish the policy as the basis for calculating the amount of the service fee, (2) the policy for the determination of the service fee and (3) the method of determining the total amount of the service fee. According to Soekrisno Agoes (2014), Wahyudin (2012) and IAPI 2016, it can be concluded that for the measurement of fee setting policy through the scope of fee setting policy and through client characteristics and the size of Public Accounting Firm.

picture frame of thought can be seen in figure 1
There is a relationship between organization and governance in the Public Accounting Firm with audit quality. As explained in the audit quality indicator guidelines at Public Accounting Firm published by IAPI in October 2016. To be able to perform the audit engagement, KAP as a public organization of Public Accountants and auditors should have adequate structure and governance. Sufficient organization and governance of KAP enables the implementation of audits and internal KAP activities that are fundamental in order to improve the quality of audits can be managed and organized clearly where the non-compliance audit standards in the audit of public accountants and the creation of a high honest and ethical culture in a KAP environment. Determination of tone at the top in Public Accounting Firm is conducted on ethical conduct in Public Accounting Firm. tone at the top based on honesty and integrity will form the basis for a more detailed code of conduct that can be developed to provide more specific guidelines on allowable and prohibited behavior. (Arens, 2014: 408-409).

Similarly, studies conducted by Azrul Ihsan Husnin, et.al (2016) concluded that corporate governance has significant effect on audit quality and there is a correlation between corporate governance and auditor selection mechanism and audit quality. Yu-Shan Chang., Et.al (2015) concludes that there is influence of corporate governance with audit quality through auditor independence. Further research conducted by Deumas., Et.al (2012) the results of his research concludes corporate governance has a significant influence on audit quality. The research of Soliman, Mohamed Moustafa, Mohamed Abd Elsalam (2012) concludes that corporate governance has significant effect and has significant correlation with audit quality. And research conducted by Adeyemi, Semiu Babatunde, Lagos State, Temitope Olamide Fagbemi, Kwara state (2010) concluded that the components of corporate governance have significant effect on audit quality.
Thus the better and adequate organization and governance of the Public Accounting Firm, the better the quality of audit results. So that can be formulated hypothesis as follows:

H1: The better the organization and governance of public accounting firms the better the audit quality.

Influence of Fee Determination Policy on Quality Audit

There is a relationship between the policy of fee fixing on audit quality. As described in the audit quality indicator guideline published by IAPI in October 2016, in order to give the KAP organizational confidence to work properly and the partners and auditors can conduct audit engagements in accordance with professional standards, codes of conduct and applicable legal provisions, services are adequate. While the intended remuneration may be given in the form of money or goods or other forms which are given to or received from clients or other parties to obtain engagement from clients or other parties (Soekrisno Agoes, 2012).

Similarly, Mahdi Salehi Azadeh (2017) study results concluded that audit fee pressure had significant and significant impact on audit quality. Zavara Nur Chrisdinawidanty & Hiro Tugiman (2016) study concluded that audit fee had positive and significant effect on audit quality. Furthermore, Komang Agus Juliando (2016) stated that audit fee had positive effect on audit quality. Listya Yuniastuti and Sukrisno Agoes (2014) audit fee research results simultaneously affect the quality of audit. Margi Kurniasih (2014) concluded that audit fees have a significant positive effect on audit quality. Andi Sulfati Research (2014), The results concluded that audit fees have an effect on audit quality which means higher audit fee then audit quality will increase. And Francis (2011) research concludes that in achieving better audit quality there must be greater openness of practitioners and regulators, in terms of common goals to better understand some quality audit drivers that can make the audit better and help the institution that governs the audit establishes a cost effective policy or fee that will improve the quality of the audit.

From the description can be made hypothesis formulation as follows:

H2: The better the Fee Decision Policy the better the Audit Quality.

RESEARCH METHODOLOGY

Unit of Analysis

According to Sekaran & Bougie (2013: 132) the unit of analysis is the level of data sets collected after the data analysis phase. Based on this understanding, then the unit of analysis in this study is KAP in Bandung.

Population and Sample Research

According to Sekaran & Bougie (2013: 240) the population is the whole group of people, events, or interests that the investigator wishes to investigate. The population in this study is the KAP in Bandung. Based on the data obtained by directory 2017 with number of Public Accountant Office of 30 KAP and respondents in this research is leader / audit partner / colleague of 52 AP.

RESULTS AND DISCUSSION

Research result

Samples are 30 KAPs and distributed questionnaires are 52 questionnaires. However, from the total questionnaires distributed, it is feasible to analyze 39 questionnaires or 75% of 30 KAP. While the questionnaire did not return because the KAP was not active, one KAP refused due to the transfer of KAP name to the new KAP name and the rest according to KAP employee information encountered, the partner was out of town.

Data analysis

Test of Organizational Validity and Governance of Public Accounting Firm and Fee Designation Policy

The result of testing the validity of the questionnaire items shows that all statement items in each variable (X1) and (X2) have correlation value above 0.3 as the boundary value of a research questionnaire item is said to be usable (acceptable). While it can be said that the item questionnaire variable Organization and Public Accounting Firm Governance (X1) and item Policy Fee Session (X2) questionnaire variable valid and can be used to measure the variables studied.

Audit Quality Validity

The result of testing the validity of questionnaire items shows that all statement items in each variable (Y) have correlation value above 0.3 as the limit value of a questionnaire item of research is
said to be usable (acceptable). So it can be said that the item questionnaire Quality Audit variable (Y) is valid and can be used to measure the variables studied.

Organizational Reliability and Governance of Public Accounting Firm

Based on the reliability test results obtained calculation results show Cronbach's Alpha value of 0.950 greater than 0.70. This means that the data used in this study is reliable or reliable so it can be continued on the next analysis.

Reliability of Fee Determination Policy

Based on the results of reliability test obtained calculation results show the value of Cronbach's Alpha of 0.830 greater than 0.70. This means that the data used in this study is reliable or reliable so it can be continued on the next analysis.

Reliability Quality Audit

Based on the results of reliability test results obtained calculation shows the value of Cronbach's Alpha of 0.941 greater than 0.70. This means that the data used is reliable or reliable so it can be continued on the next analysis.

Classical Assumption Testing Results

Normality test

Tabel 1

Hasil Uji Normalitas
Dengan Uji One Sample Kolmogorov-Smirnov

One-Sample Kolmogorov-Smirnov Test

<table>
<thead>
<tr>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
<tr>
<td>0.102</td>
</tr>
</tbody>
</table>

Source: Results of SPSS 23, data processed 2017

From table 1 it can be seen that the value of Asymp.sig generated from Kolmogorov-Smirnov Test is worth 0.102 which means it is above the maximum error limit of 0.05 or probability> 0.05 so it can be concluded that the above data has normal distributed residue and can used in research.

Heteroscedasticity Test

The following will present a calculation showing heteroscedasticity testing. With the help of software SPSS Statistics obtained results as follows:

Figure 2

Results of Heteroscedasticity Test with Scatterplot Test
Source: Results of SPSS 23, 2017 data processed

From the picture above can be seen that the data are depicted as spreading dots and do not form a particular pattern. In addition the points also spread above and below the number 0 on the Y axis so that the scatterplot indicates no heteroscedasticity in the data used, so the data can be used in the study.

While the glacier test results can be seen from the table below:
Table 2
Summary of Heteroskedasticity Test Results Through Glacier Test

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 (Constant)</td>
<td>16,955</td>
<td>10,672</td>
</tr>
<tr>
<td></td>
<td>Organization &amp;; KAP Governance</td>
<td>.008</td>
<td>.074</td>
</tr>
<tr>
<td></td>
<td>Fee Decision Policy</td>
<td>.232</td>
<td>.163</td>
</tr>
</tbody>
</table>

Source: Results of SPSS 23, 2017 data processed
From table 2 above shows that the sig value generated from the glacier test is valuable for the influence of Organization and Public Accounting Firm is 0.910, the fee setting policy of 0.163 means that the Sig value for each variable is above the maximum error limit of 0, 05 or probability> 0,05 so it can be concluded that the data above the regression model does not contain any heteroscedasticity. This result is consistent with the previous test results.

Multicollinearity Test

Table 3
Summary of Multicolonierity Test Results

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Collinearity Statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 (Constant)</td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td></td>
<td>Organization &amp;; KAP Governance</td>
<td>.969</td>
<td>1,032</td>
</tr>
<tr>
<td></td>
<td>Fee Decision Policy</td>
<td>1,032</td>
<td></td>
</tr>
</tbody>
</table>

Source: Results of SPSS 23, 2017 data processed
From the above output it can be seen that the VIF for Organization and Governance of KAP (X1) and Fee Stipulation Policy (X2) is 1.032 and the tolerance value for Organizational Variables and Corporate Governance (X1) and Fee Stipulation (X2) is 0.969 . It can be concluded that there is no multicollinearity in the data being tested.

Testing Method of Regression Equation
Results of SPSS Statistics software processing for multiple regression analysis are presented in the following table:

Table 4
Multiple Regression Outcome Results

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std.</td>
<td>Beta</td>
</tr>
</tbody>
</table>
Based on the calculation results in table 4 above, obtained the form of multiple linear regression equation as follows:

\[ Y = 0.540 + 0.629 \times X_1 + 0.267 \times X_2 + \epsilon \]

From the multiple linear regression equation above it can be analyzed that the constant of 0.540 means that if the organization and governance of Public Accounting Firm and the policy of setting fee is 0 then the audit quality value is 0.540, the coefficient of organization regression and governance of Public Accounting Firm is 0.629 stating that every the addition of organization and governance Public Accounting Firm for 1 unit, it will improve the audit quality of 0.629, regression coefficient policy fee setting of 0.267 states that each addition of the policy fee setting of 1 unit, it will improve the audit quality of 0.267 and regression coefficient / beta equal to 0.629 and 0.267 indicate that existence of variable relation. Positive correlations show that the relationship is unidirectional. The better the organization and governance of KAP (X1) and the fee setting policy (X2) the better the Quality Audit (Y).

Hypothesis testing.

Results of data processing through software SPSS Statistics presented in table 5 as follows:

### Table 5

<table>
<thead>
<tr>
<th>Model</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>0.033</td>
<td>0.974</td>
</tr>
<tr>
<td>Organization &amp; KAP Governance</td>
<td>5.405</td>
<td>0.000</td>
</tr>
<tr>
<td>Fee Decision Policy</td>
<td>2.294</td>
<td>0.028</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Qualitas Audit

Source: Results of SPSS 23, 2017 data processed

With \( df = n-k-1 = 21-2-1 = 18 \), the obtained table of 1734. From table 5 it is known for Organization Variables and Public Accounting Firm (X1) t count of 5.405. When compared table 1.734 then obtained t count\( > \) ttable = 5.405\( > \) 1.734. Meanwhile, the significance value of Organization and Public Accounting Firm is 0.000 when compared with \( \alpha = 5\% \), it is obtained 0.000 <0.05. Thus \( H_01 \) rejected and \( H_1 \) accepted, this means partially Organization and governance Public Accounting...
Firm has a significant positive impact on audit quality. Therefore the higher the organization and governance of the Public Accountant Firm the higher the Audit Quality.

Fee Determination Policy (X2) is known to have a value of \( t \) count 2.294 when compared with the value \( t \) table 1.734 then obtained \( t \) count > \( t \) table = 2.294 > 1.734. Meanwhile, the significance value of the fee setting policy (X2) is 0.028 when compared with \( \alpha = 5\% \) then obtained 0.028 > 0.05. Thus H02 is rejected and Ha2 is accepted, this means partially the fee fixing policy has a significant positive effect on audit quality. Therefore, the higher the fee fixing policy will be the higher the audit quality.

**Coefficient of Determination**

Table 6

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

- a. Predictors: (Constant), Organization & KAP Governance
- b. Dependent Variable: Quality Audit

The Effect of Public Firm’s Management (X1) on Audit Quality (Y)

From Table 6 above shows that the coefficient of determination or R Square value of 0.458 or 45.8%. This shows that organizational variables and KAP Governance affect the dependent variable by 45.8%.

Influence of Fee Decision Policy on Audit Quality

This test is conducted to determine the effect of the policy of fee fixing on audit quality.

Table 7

<table>
<thead>
<tr>
<th>Fee Decision Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model Summaryb</td>
</tr>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

- a. Predictors: (Constant), Fee Decision Policy
From Table 7 above shows that the value of coefficient of determination or R Square ber nilai of 0.143 or 14.3%. This shows that the Fee Determination Policy variable affects the dependent variable of 14.3%.

Discussion of Research Results


Based on the results of statistical tests in table 5 shows that organizational variables and governance KAP have a significant effect on audit quality. This is shown by the level of significance (Sig) organizational variables and governance KAP of 0.000 <0.005. In other words Ha1 in this research accepted, that organization and governance of KAP have significant influence to audit quality. The result of this research is similar to Azhrul Ihsan Husnis, et.al (2016) which stated that corporate governance has significant effect on audit quality. In addition, this study is in line with the research of Yu-Shan Chang., Et.al (2015), Deumas., Et.al (2012), Soliman, Mohamed Moustafa, Mohamed Abd Elsalam (2012) and Adeyemi Semiu Babatunde, Lagos State Temitope Olamida Fagbemi, Kwara State (2010). Where the study concludes that corporate governance significantly influences audit quality, it shows that there is a relationship between organization and governance in Public Accounting Firm with audit quality.

The result of the research shows that the variable of organization and governance of Public Accountant Office have significant influence to the quality of audit 45.8%, where the influence is shown through interpretation from regression test, so the rest equal to 54.2% influenced by other factor outside research model this.

Influence of Fee Determination Policy on Quality Audit Survey at Public Accounting Firm in Bandung City.

Based on the result of statistical test in table 5 it can be seen that the variable of fee fixing policy has a significant influence on audit quality. This is indicated by the level of significance (Sig) policy variable setting fee is 0.018 <0.05. In other words, Ha2 in this study is accepted, the policy of fee fixing has a significant effect on audit quality. The results of this study are similar to the research conducted by Zavara Nur Chrisdnawidanty & Hiro Tugiman (2016), concluded that audit fees have a positive and significant impact on audit quality. In addition, this research is in line with research conducted by Mahdi Salehi Azedah (2017), I Komang Agus Julianto (2016), Listya Yuniastuti and Sukrisno Agoes (2014), Margi Kurniash (2014), Andi Sulfiti (2014), Francis (2011) . Where the research concludes that the policy fee determination effect significantly to audit quality.

The result of research shows that the variable of Fee Decision Policy has a significant influence on audit quality of 14.3%, where the influence is shown through interpretation of the regression test, so that the rest of 85.7% is influenced by other factors outside this research model.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The conclusions that can be taken in accordance with the formulation of research problems are as follows:
1) The organization and governance of Public Accounting Firm affect the quality of audits at Public Accounting Firm in Bandung City. The better the organization and governance of the Public Accounting Firm, the better the audit quality.

2) Policy fee determination affect the quality of audit surveys at Public Accounting Firm in Bandung City. Semakin fee setting policy, the better the quality audit.

Practical Tips

In this study the researchers also found that:

1) The organization and governance of Public Accounting Firm not all indicators provide excellent results, such as indicators of training, learning and development. So KAP is expected to maintain and continually improve the knowledge and competence of auditors, by involving auditors to follow the PPL. And related to technical inquiry Indicators, KAP is expected to maintain and continuously improve the availability of consultation facilities for auditors on audit and accounting issues.

2) Fee-setting policy not all indicators provide excellent results, such as the corresponding KAP cost structure indicator, the KAP is expected to determine the amount of audit fees to consider and specify any cost structure in the KAP that determines the amount of audit fees provided, for example in consideration of any other costs necessary to perform the audit work into the overall tariff of services such as transportation, accommodation or other out-of-pocket expenses, unless otherwise agreed or agreed with the client. So it is expected that by determining the right fee setting policy will provide positive motivation to the auditor in conducting the audit so that will result in better audit quality.

3) Audit quality indicator with instrument "Judgment in the audit process" get score not good equal to 37.4%, this means according to perception of audit partner in KAP Bandung Judgment used in audit process is not influenced by various consideration of incentive and positive motivation in improve audit quality. It should be in the consideration of incentives related to audit fees that have been set at the earliest in accordance with the established determination policy, and the auditor must have a positive motivation in improving audit quality. With a positive motivation someone will have a high morale spirit and will strive to achieve goals and meet existing standards. In other words, motivation positively can encourage someone, including auditors in achievement, and have a high optimism, resulting in a quality audit. So it is expected to consider the consideration of incentives / fees and the motivation of positive an auditor in work can improve the quality of audit generated.

Suggestions for Further Research.

For the researcher it is advisable to extend the independent variables of the research so as to know other factors that may affect the Audit Quality such as Auditor's competence, ethics, Auditor independence, use of personnel time engagement, quality review or external and internal inspection, range of engagement control, understanding and awareness the user for the benefit of the implementation of the audit services of the correct financial statements, as well as government regulations and policies, in particular agencies related to the supervision of audit services such as OJK, PPPK, and DGT.

Limitations of this study only use research instances in the form of questionnaires in capturing primary data, this weakness is suspected because the respondents may be less thorough, so researchers difficult to determine whether the answer from the respondent honest or not. This is quite evident in respondents' answers that generally answer "Agree" or "Strongly agree". To overcome this limitation, the next researcher is suggested to do combination research besides by closed research method that is by distributing questioner to respondent, it is expected that the researcher further add open open research that is by doing interview to the respondent.

REFERENCES


A Framework for audit quality 2014, through http://www.iaasb.org/ downloaded 23/06/2017 at 12.01


Clearer Transparency: Assessing the second year of Audit Firm Transparency Reports in Australia June 2015, p. 6-7


Dharma Suputra 2016. Influence of Audit Fee, Non-Audit Services, KAP Size And Duration Audit Relation To Audit Quality. ISSN: 2303-1018 E-Journal of Accounting Udayana University Vol. 14.1 January 2016: 118-143


I Komang. (2016). Influence of Audit Fee, Audit Planning, And Audit Risk To Audit Quality At Public Accounting Firm In Bali. ISSN: 23337-3067.


Ma'rifatumbillah et al., 2016. Effect of the size of Public Accounting Firm, FEE Audit, Auditor Ethics on Audit Quality (At Public Accounting Firm in Semarang), Journal Of Accounting, Volume 2 No.2 March 2016.

Margi Kurniasih (2014). Influence of Audit Fee, Tenure Audit, And Audit Rotation To Quality Audit. Volume 3. Number 3 Year 2014 ISSN (Online): 2337-3806

Prosperous. 2016. Conceptual & Contextual Administration And Organization Against Public Policy. Publisher: Refika Aditama.


Overview of Audit Quality Indicators Initiatives. FEE.2015 Board Regulation Number 2 Year 2016 regarding Financial Statement Fees for Financial Statement Audit. IAPI. 2016


pppk.kemenkeu.go.id.Akuntan Public sanctioned by the finance ministry 2017


Sulfati, Andi. 2014. Effect of Fee and Tenure Audit on Audit Quality at Public Accounting Firm. National Seminar and The 3rd Call Syariah Paper. ISSN 2460-0784


Internet

List of hoods in the still active city of 2017 http://iapi.or.id/iapi/membership_kap/membership_kap/bandung-570e222f4fb9e.pdf was downloaded on 10/07/2017 at 16.02

Draft Directory 2017 Public Accounting Firm and Public Accountant


Ccpp. Kemenkeu.go.id/sanction. Index of sanctions. downloaded on 21/08/2017 at 14.37


https: pcaobus.org and www.iaasb.org