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THE IMPACT OF CLIENT COMPANY SIZE, TIME BUDGET PRESSURE, AND AUDITOR FEE ON AUDIT QUALITY

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Abstract: This study aims to determine the impact of Client Company Size, Time Budget Pressure, and Auditor Fee variables on Audit Quality. The information utilized in this examination was obtained from the Consolidated and Yearly Fiscal Summaries accessible in the Indonesia Stock Exchange (IDX) site. The analysis method employed is logistic regression analysis, tested jointly with an overall model fit test, which significantly affects audit quality. The results of this study indicate that, among the three independent variables analyzed, audit quality is significantly influenced by time and budget pressures, as well as the auditor's fee. However, the size of the client company does not appear to have a significant effect on audit quality. The Nagelkerke R-Square value indicates that 91.2% of the dependent variable's variability can be explained by the independent variables, whereas the remaining 8.8% is attributed to other variables beyond the research model.

Keywords: client company size, time budget pressure, auditor fee, audit quality

INTRODUCTION

In the sphere of business, professionals such as accountants play a crucial role in the functioning of a company. The accounting profession has emerged as a vital component of the business world. Public accountants have two responsibilities in carrying out their professional work: maintaining the confidentiality of information obtained while performing their duties and ensuring the quality of

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their professional work (Subari, 2016). The duty of the public accounting field is to enhance the dependability of a corporation's financial records, thereby enabling informed decision-making. Financial statements that have undergone auditing by public accountants are more reliable compared to unaudited financial reports.

In other words, parties with an interest in company finances are no longer limited to company leaders but extend to investors, creditors, potential investors, and potential creditors as well (Tandiontong, 2016). One of the key focal points in professional regulations is that the auditor is responsible for evaluating whether significant uncertainties surround the business unit's ability to sustain its operations for a reasonable period. If there are any doubts about the entity's ability to continue as a going concern or maintain its business, the auditor must decide whether to issue an unqualified opinion. In this case, the public accountant (auditor) is entrusted with reviewing and providing an opinion on the issuer's financial statements and must include the evaluator's assessment of the impact in the report. This allows the auditor to maintain an unambiguous viewpoint, even if there is uncertainty about the going concern of the company under study, provided that the information is repeated in the auditor's report.

In Indonesia, there are companies in the form of limited liability companies that do not provide much encouragement for the development of the public accounting profession, as almost all limited liability companies in Indonesia are closed companies whose shares are owned only by families or limited groups. In this case, the public accountant (auditor) is tasked with examining and reporting an opinion on the issuer's financial statements. The Public Accounting Firm (KAP) must first be registered with the Indonesian Institute of Certified Public Accountants (IAPI) before conducting an audit of financial statements on issuers. To audit issuers that have gone public and published financial reports, the Public Accounting Firm must be registered with the Financial Services Authority (OJK) as a Public Accounting Firm for the capital market, supporting the profession. In line with the explanation above and regarding the impact of the "monetary crisis" in Indonesia, the accounting profession emphasizes the importance of prudence and serious responsibility from the auditor in considering the impact of a deteriorating economy and on-going concern entities.

According to Agoes (2017), an audit is an examination carried out critically and systematically, by an independent party, of the company's financial reports prepared by management, as well as bookkeeping records and other supporting evidence, with the aim of providing an opinion regarding the fairness of the company's financial statements. In carrying out their duties, auditors adhere to established auditing standards and the applicable code of ethics for public accountants (Agusti & Pertiwi, 2013). In this regard, the public accounting firm (CAP) must improve the quality of its verification to strengthen the integrity of the auditor and regain the trust of interested parties, considering the size of the client company, time constraints, and auditor fees. Audit quality encompasses all possibilities where the auditor, when auditing the client's financial statements, can find violations that occur in the client's accounting system and report them in the form of audited financial reports. While carrying out their duties, auditors are guided by auditing standards and the relevant public accountant's code of ethics (Agusti & Pertiwi, 2013).

The size of the client company directly reflects the level of the company's operating activities. Large companies are generally more complex than smaller ones, which can affect audit quality. Time constraint stress arises due to restricted resources to execute and conclude audit tasks, where the auditor is expected to optimize the time budget for efficiency. The audit period with less efficient time can affect the audit results. Abdul (2013) in his research found that time budget pressure is the most dominant variable influencing audit quality. Audit fees are the amount of compensation received by the auditor by agreement for the implementation of audit work. To obtain audit quality, an agreement on audit fees is needed. An audit is a methodical procedure to acquire and assess evidence in an unbiased manner. A company's magnitude can impact the quality of an audit since larger companies require more intricate testing. Well-managed time budget pressure can provide very efficient benefits to help the auditor achieve effective and efficient performance, which will impact audit fees, the amount of fees received by the auditor in accordance with the agreement for the implementation of audit work. Building on previous research, this study aims to test whether company size, time budget pressure, and auditor fees affect audit quality.

METHOD

Data Source

The sources of information used in this investigation are secondary sources, particularly information obtained through alternative sources or indirectly through literature, publications, and online sources related to this investigation. The data used comprises the annual financial reports of pharmaceutical sub-sector manufacturing companies for the period 2017 to 2021, obtained from the official website of the Indonesia Stock Exchange, namely the website www.idx.co.id, and IDN Financials.

Population and Sample

The population in this study consists of manufacturing companies in the pharmaceutical sub-sector that have registered and published annual financial reports and inspection documents on the Indonesia Stock Exchange from 2017 to 2021. In this challenging year, pharmaceutical companies represent a promising sector. The total population for this study was 11; however, there were 3 companies that did not have complete financial report data. Therefore, data were obtained from a sample of 8 pharmaceutical sub-sector manufacturing companies for the years 2017 to 2021. The research data analysis method employs quantitative analysis techniques.

Independent and Dependent Variables

According to Sugiyono (2021), independent variables are variables that influence or cause changes or the emergence of the dependent variable (dependent variable). In this research, they are as follows:

1. Size of the Client Company
   The size of the client's company is a scale that classifies the company's size, which is related to the company's financial condition (Juliantari & Rasmini, 2013).
2. Time Budget Pressure
   Time budget pressure is a condition that indicates the auditor is required to carry out efficiency in the time budget that has been prepared, or there is a very tight and rigid time budget discussion (Ariningsih & Mertha, 2017).

3. Auditor Fees

   Audit fees are the fees received by the auditor from payments made by management (Hartadi, 2012).

4. Audit Quality

   According to Institut Akuntan Publik Indonesia (2016), audit quality is a key indicator that allows for a quality audit to be consistently conducted in accordance with professional standards and applicable legal provisions.

Table 1 Measurement Table

No.	Variable	Variable	Indicator	Scale
1.	Firm size	Independent	Natural logarithm of the company's total assets	Ratio
2.	Time Budget Pressure	Independent	Measured from the book closing date on December 31 to the date stated in the independent auditor's report	Ratio
3.	Fee Audit	Independent	Natural logarithm of accounts professional fees	Ratio
4.	Audit Quality	Dependent	The dummy variable where the sample will have a value of 1 if the company chooses Big 4 KAP, while the sample will have a value of 0 if the company chooses KAP other than Big 4	Nominal

Research Framework

The research variables used in this study are the dependent variables, namely client company size, time budget pressure, and audit fees. While the independent variable is audit quality.

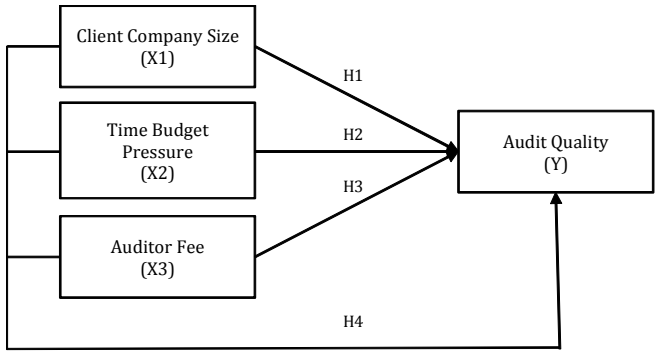

Figure 1 Research Framework

RESULTS

Descriptive Statistics Test

Table 2 Descriptive Statistics

Variable N		Minimum	Maximum	Mean	Std. Deviation
Client Company size	40	25,80	30,88	28,7140	1,40850
Time Budget Pressure	40	36,00	182,00	79,2500	25,73110
Fee Auditor	40	19,99	25,46	22,9490	1,44635

The dependent variable, namely audit quality, is dummy (KAP big 4 and non-big 4), so testing the hypothesis is carried out using a logistic regression test. Stages in testing shown below.

Overall Model Fit, Coefficient of Determination, and Model Feasibility Test

Here, we present the results of the comprehensive model fitting test, which are derived from the probability function.

Table 3 Test Results Assess the Overall Model

Explanation	-2 Log Likelihood
Block Number: 0	55,452
Block Number: 1	5,345

In the following Table, data from the results of the overall model fit test are presented based on a comparison of the -2LL values.

Table 4 Comparison of 2LL Values Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	45.476	3	.000
	Block	45.476	3	.000
	Model	45.476	3	.000

The Nagelkerke R-Square value signifies the size of the test statistic for the coefficient of determination in the logistic regression model. In logistic regression, the overview model corresponds to the R2 test in the linear regression formula. R2 shows the estimated variation of the independent variable on the

dependent variable. In the following, the data from the test results of the coefficient of determination (Nagelkerke R Square) are presented in Table 5.

Table 5 Comparison of 2LL Values Omnibus Tests of Model Coefficients

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	8,009[a]	0.682	0.922

The possibility of the regression model was evaluated utilizing the Hosmer and Lemeshow Exam. The following table shows the information from the possibility test of the regression model.

Table 6 Regression Model Feasibility Test Results

Step	Chi-square	df	Sig.
1	0.891	8	1.000

According to Table 6, it is evident that the Chi-Square value is 0.891 and holds a significance of 1.000. Consequently, it can be inferred from these findings that the model is competent enough to anticipate the observed value since the significance value surpasses 0.05, which implies that the model fits well.

The categorization chart displays the forecasting capability of the regression model in estimating the likelihood of a company's audit excellence based on the KAPs from both Big 4 and non-Big 4 entities. Table 7 illustrates the capacity of the regression model to anticipate the likelihood of a company achieving high audit quality with a KAP outside of the Big 4. The model predicts a 65% probability of 13 out of the 20 companies achieving high audit quality with non-Big 4 KAPs. The regression model also has 100% predictive power for determining the likelihood of a company achieving high audit quality with a Big 4 KAP, as it anticipates all 40 companies using both Big 4 and non-Big 4 KAPs to achieve high audit quality.

Table 7 Classification Matrix Test Results

Observed			Predicted Audit Quality		
			No. KAP Big Four	KAP Big Four	Percentage Correct
Step 1	Audit Quality	No. KAP Big Four	13	7	65.0
		KAP Big Four	7	13	65.0
		Overall Percentage			65.0

Logistic Regression Test Results

The statistical technique employed in this study is logistic regression analysis. The purpose of conducting logistic regression analysis in this research was to examine the impact of client company size, time budget pressure, and auditor fees on audit quality. The logistic regression method used is presented in the table below:

Table 8 Logistic Regression Coefficient Test Results

		B	S.E.	Wald	df	Sig.	Exp (B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1a	Client Company Size	-.006	.005	1.523	1	.217	.994	.985	1.003
	Time Budget Pressure	-.019	.016	1.439	1	.230	.981	.950	1.012
	Fee Auditor	7.268	.005	2.916	1	.088	1.008	.999	1.017
	Constant	-43.298	7.579	.002	1	.969	1.348		

The outcome from evaluating the logistic regression coefficients generates the subsequent models:

Audit Quality = -43.298 + (-0,006SIZE) + (-0,019TIME) + 7,268FEE + e

The constant value b0 = -43,298 denotes that if the independent variables remain constant or at zero, then the dependent variable, specifically Audit Quality, will have a negative value of -43,298. The coefficient value b1 = -0.006, indicates that the independent variable, client company size (SIZE), has a coefficient of -0.006 with a significance level of 0.217, which is higher than 5%. Since the significance level is greater than 5%, the hypothesis (Ho1) is accepted, and (Ha1) is rejected, implying that the size of the client company has no significant impact on audit quality.

The independent variable, time budget pressure (TIME), has a negative coefficient of -0.019 with a significance level of 0.230, greater than 5%. Since the significance level is greater than 5%, the hypothesis (Ho2) is accepted, and (Ha2) is rejected, indicating that the size of the client company has a significant effect on audit quality. The resulting beta value is negative (-0.019), indicating that there is a negative correlation between time budget pressure and audit quality. This means that if a company's size increases by one unit, audit quality will decrease by -0.019 units, assuming that other variables are held constant.

The independent variable, auditor fee (FEE), has a coefficient of 7,268 with a significance level of 0.088, which is greater than 5%. Since the significance level is greater than 5%, the hypothesis (Ho3) is accepted, and (Ha3) is rejected, implying that the auditor's fee has no significant effect on audit quality. However, this finding is still acceptable at the 10% significance level, meaning that in the future this still needs attention. The resulting beta value is positive (7,268), indicating that there is a positive correlation between auditor fees and audit quality. This means that the higher the auditor fee, the greater the resulting audit quality.

DISCUSSION

Effect of Client Company Size on Audit Quality

The first hypothesis suggests that the size of the client company has no effect on audit quality. The results of the logistic regression analysis revealed that the variable representing the size of the client's company was 0.217, which is > 0.05. This is because, when faced with time and budget pressure, auditors respond in two ways: functionally and dysfunctionally (Aisyah & Sukirman, 2015). The functional type refers to auditors who work more efficiently and make the best use of available time, while the dysfunctional type involves behavior that deviates from established procedures and ultimately leads to a decrease in audit quality. The results of this study indicate that the significance level is greater than $\alpha = 0.05$, implying that the size of the client company has no significant effect on audit quality. Therefore, it can be concluded that the size of the client company does not significantly impact audit quality. These findings contradict research conducted by Ramdani (2016), where the regression test results indicated that client company size is the most dominant variable affecting audit quality.

Effect of Time Budget Pressure on Audit Quality

The second hypothesis indicates that time budget pressure has no significant effect on audit quality. The logistic regression test results demonstrate that time budget pressure, with a significance level of 0.230, is greater than 0.05. The

independent variable, referred to as time budget pressure (TIME), exhibits a negative coefficient of -0.019 and a significance level of 0.230. These findings are consistent with the research conducted by Abdul (2013), which identified time budget pressure as the most dominant variable affecting audit quality. Additionally, Cahyani and Zulvia (2019) stated that time budget pressure does indeed influence audit quality.

Effect of Auditor Fees on Audit Quality

The third hypothesis demonstrates that the results of the logistic regression test indicate that the auditor's fee has no significant effect on the audit quality, a significance level of 0.088, which is greater than 0.05. This suggests that auditor fees have no significant effect on audit quality. This finding is not consistent with the research conducted by Indriyani and Meini (2021) and Aisyah (2017) which indicates that audit fees have a positive impact on audit quality.

Effect of Client Company Size, Time Budget Pressure, and Auditor Fees on Audit Quality

The fourth hypothesis from Table 4 shows that company client size, time budget pressure, and auditor fees tested together with the overall model suitability test have a significant effect on audit quality. The Overall Model Fit test results show a comparison of the -2LL values which follow the chi-square distribution. In the overall model suitability test, the calculated chi-square > chi-square table was 45.476 > 7.81473 with a significance of 0.000 < 0.05, sig, because this value is less than 0.05, it can be concluded that the size of the client company, budget pressure time and auditor costs simultaneously influence audit quality. Meanwhile, the Nagelkerke R-Square value is 92.2%. Meanwhile, the remaining 7.8% is explained by other variables outside the research model. This finding contradicts research conducted by Damayanti (2019), which showed that audit fees have a positive effect. According to Damayanti's research, the higher the audit fee given, the higher the quality of the resulting audit. Additionally, audit tenure has a positive effect on company size, but it has no effect on audit quality.

Conclusions, Limitations and Suggestions

Based on the research and analysis of the influence of client company size, time budget pressure, and audit fees on audit quality, it can be inferred that the size of the client company does not have a significant impact on the quality of the audit. However, the presence of time constraints has a significant influence on audit quality, while the auditor's fee also plays a significant role in determining the quality of the audit. In summary, the size of the client company, time constraints, and the auditor's fee all have a significant impact on audit quality.

This research considered only three distinct factors and one resultant factor. The study was conducted with a sample of only eight pharmaceutical companies. In the future, scholars may consider expanding the research sample by selecting a group of firms from the industrial sector registered on the IDX. It is suggested that researchers measure audit quality using other proxies to achieve a more accurate understanding of its effects. This study was limited to a sample of pharmaceutical sub-sector companies.

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