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## AUDIT QUALITY ATTRIBUTES IN THE IPO PROCESS AT KAP XYZ

### **Wennie Cyntia**

Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia  
[cyntiawennie@gmail.com](mailto:cyntiawennie@gmail.com)

### **Nureni Wijayati, Ph.D., C.A.**

Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia  
[nureniwijayati@ui.ac.id](mailto:nureniwijayati@ui.ac.id)

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*Wennie Cyntia* \*, *Nureni Wijayati*

Master of Accounting Program, Faculty of Economics and Business, Universitas  
Indonesia

### ABSTRACT

This research analyses attributes of audit quality during the Initial Public Offering (IPO) process at an Indonesian audit firm (KAP XYZ). The respondents were external auditors in charge of audit during the IPO preparation at KAP XYZ. The data were collected using a questionnaire and interviews. Analysis was carried out on 10 attributes, which were reduced to 24 statements. The results of the analysis show that due care, audit committee involvement and independence are the three most important attributes that contribute to audit quality during the IPO process. To improve audit quality in the IPO process, KAP XYZ provides auditors with training and professional titles such as CPA, recruits experts in specific industries and implements user-friendly applications.

**Keywords:** Audit, Audit Quality, IPO, Public Accounting Firm

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\* Corresponding Author's Email: [cyntiawennie@gmail.com](mailto:cyntiawennie@gmail.com)

## 1. INTRODUCTION

In line with a company's development, it will require additional capital for funding, with equity funding being one of the many alternatives. Funding through participation is generally done through the sale of a company's shares to the public, in a process often referred to as going public, with the initial process known as the initial public offering (IPO). Companies must undertake various preparatory activities when seeking to go public, which includes appointing an external auditor, who plays an important role in examining the company's financial statements as a prospective issuer. The high quality of the audit practices that is now ensured will increase the public's trust in the company's financial statements, eventually helping to boost economic growth in the country, especially in investment. In addition, good-quality auditors will be rewarded in the audit market in the form of increased demand for audit services, while auditors with a strong reputation will be able to maintain this through the provision of high audit quality. However, the measurement and understanding of audit quality varies according to experts and also differs among public accounting firms.

In preparation for the IPO audit, after KAP XYZ (an Indonesian public accounting firm) has been appointed by a client company, it attends weekly coordination meetings with the other supporting institutions that the client company has appointed. Preparation for the IPO lasts for a minimum of six months, until the mini-exposé is held. In conducting the IPO audit itself, Otoritas Jasa Keuangan (OJK – Financial Services Authority) has a checklist for the public accounting firm to complete to ensure the conformity of PSAK and indirectly, the quality of the audit itself. KAP XYZ, in carrying out IPO audits, assigns an audit team that has more experience conducting IPO audits. However, KAP XYZ, which has only five years' experience in IPO auditing, has encountered problems in the audit field on several occasions, including unstructured records and incomplete data from the client side, inaccurate client accounting systems, unpreparedness, unbalanced communication and minimum support. As such, there is room for quality improvement concerning audits in the IPO at KAP XYZ; this can be achieved by focusing its efforts on the attributes that most influence the quality of the audit.

Wu, Yang, and Ye (2021) argued that with more audit experience, the auditor will have a better understanding of the IPO process and the specific incentives and capacities associated with financial reporting, and thus be better able to apply relevant standards, and/or make better judgements and estimates during the IPO audit process. In contrast to other audits, the IPO audit has a

distinct feature in that it is much riskier and involves various special issues. Therefore, specialised skills will be an important input to IPO audit services, and auditors with such expertise are likely to provide higher-quality IPO audits (Wu, Yang, & Ye 2021). In addition to the audited financial report, the other documents that the company must prepare in advance of the IPO include the accountant's review checklist for the financial statement data in the prospectus.

Similar prior studies regarding audit quality include those by Behn, Carcello, Hermanson, and Hermanson (1997), Carcello, Hermanson, and McGrath (1992), Boon, McKinnon, and Ross (2008), and Iskandar, Rahmat, and Ismail (2010). Carcello et al. (1992), in their research, analysed 12 attributes: audit team and firm experience with the client; industry expertise; audit firm responsiveness to client needs; audit firm compliance with general audit standards; audit firm commitment to quality; audit firm executive involvement; conduct of audit fieldwork; involvement of audit committee; individual team member characteristics; audit firm maintains a sceptical attitude; audit firm freshness of perspective; and degree of individual responsibility.

Taking the 12 attributes developed by Carcello et al. (1992) as their research basis, Iskandar et al. (2010) analysed client satisfaction and audit quality attributes by distinguishing them into two levels, namely the audit team level and audit firm level. In their research, the attributes classified as being at the level of the audit team were experience, expertise in the client's industry, competence, independence, due care, fieldwork, involvement of KAP leadership, audit committee involvement, ethics, and scepticism. The attributes classified as audit firm level comprised experience, expertise in the client's industry, responsiveness, independence, and commitment to quality.

In another study related to audit quality attributes, Boon et al. (2008) used the literature from Behn et al. (1997) and Carcello et al. (1992). A total of 24 individual statements were classified theoretically into 10 attributes within the context of the audit team level, which were then used to determine the perceptions of audit report users. The attributes comprised experience, industry expertise, technical competence, independence, due care, executive involvement, fieldwork, audit committee involvement, ethics, and scepticism. This contrasted with previous studies, which tended to focus on the analysis of general audit quality. However, to date, little research has been undertaken on audit quality in the IPO process.

Based on the studies by Boon et al. (2008) and Iskandar et al. (2010), this research analyses audit quality attributes in the context of the IPO process at the

audit team level. A questionnaire survey was distributed and interviews were conducted at an Indonesian audit firm (KAP XYZ), located in Jakarta.

## **2. LITERATURE REVIEW**

### **2.1. AUDIT IN IPO**

Auditors are one of the supporting professions of the capital market that aim to provide an opinion on the fairness of the financial statements of companies seeking to go public (Ang, 1997). One of the roles held by an auditor is to determine whether a company deserves to go public or not. This is one of the provisions of the Indonesia Stock Exchange (IDX), which declares that the financial statements of companies that go public must be unqualified ([www.idx.co.id](http://www.idx.co.id)).

### **2.2. AUDIT QUALITY**

Audit quality is a complex concept, not objective, and is therefore categorised as not straightforward to measure and describe; this means there are often errors in determining its nature and quality. This has been demonstrated through the different definitions provided by experts. According to Watkins, Hillison, and Morecroft (2004), audit quality concerns the probability of the auditor finding and reporting material misstatements within the client company's financial statements. De Angelo (1981) defined audit quality as the probability that an auditor will find and report a violation in the client company's accounting system.

On the other hand, based on the Public Accountant Professional Standard (SPAP, 2011), an audit is said to have good quality if it meets the provisions or auditing standards. From these various definitions, it can be summarised that audit quality is related to the compliance of auditors in referring to the code of ethics for an auditor and the mandated professional standards.

#### **2.2.1 AUDIT QUALITY ATTRIBUTES**

In this research, previous studies were used as a comparison and benchmark. Boon et al. (2008) identified that the most important attributes in evaluating the quality of audit services were expertise in the client's industry, experience, technical competence, independence, ethics and due care. Iskandar et al. (2010), meanwhile, found that audit quality attributes at the audit firm level were considered more important than attributes at the level of the audit team. The researcher's analysis shows that client satisfaction is significantly related to four quality attributes at the audit firm level, namely experience, responsiveness, independence and commitment to quality. The results also show that client satisfaction is significantly related to certain quality attributes at the audit team level, namely experience, independence, involvement of KAP leaders and fieldwork. In other research, Marsely and Sedianingsih (2017) found that the attributes that

significantly affected client satisfaction were the auditor's understanding of the client's industry and responsiveness to client needs, whereas other audit quality attributes, namely competence, independence, the careful attitude of the audit team, KAP commitment to quality, implementation of field audits, high ethical standards and scepticism of the audit team, did not affect client satisfaction.

The audit quality attributes used in this research are briefly discussed as follows.

### **EXPERIENCE**

Experience can be interpreted as a learning process and increasing behavioural potential from both formal and informal education, or as a process that leads people to higher behaviour patterns (Ilmiyati & Suhardjo, 2012).

### **INDUSTRY EXPERTISE**

To perform an adequate audit, the auditor must have a thorough understanding of the client's business and industry as well as knowledge of the company's operations (Arens & Loebbecke, 2008).

### **COMPETENCE**

Auditor competence relates to an auditor's knowledge and experience to be able to audit objectively, carefully and thoroughly (Ningsih & Yaniartha, 2013).

### **INDEPENDENCE**

Independence concerns the attitude expected of an auditor; as such, they should not be influenced in any way by either the management responsible for the preparation of the report or the users of the report (Fitrawansyah, 2014).

### **DUE PROFESSIONAL CARE**

Due professional care is a careful and thorough professional skill, which requires the auditor to be able to think critically about the findings of audit evidence. Auditors with a careful attitude can more easily and quickly discover various violations and errors in the presentation of financial statements (Badjuri, 2011).

### **EXECUTIVE INVOLVEMENT**

Audits with a high level of executive/leader involvement tend to be of higher quality because the KAP executives are the most qualified and experienced members of the audit team and are, therefore, best equipped to guide the audit process (Boon, McKinnon, & Ross, 2008).

## **FIELDWORK CONDUCT**

Carcello et al. (1992) identified attributes of fieldwork based on the use of microcomputers, the use of statistical sampling techniques, and the quality of internal control studies. KAP, which conducts comprehensive audit fieldwork following accounting and auditing standards, tends to provide high-quality audits (Boon et al., 2008).

## **AUDIT COMMITTEE**

According to Goodwin-Stewart and Kent (2006), in Boon et al. (2008), audit teams that communicate with client audit committees tend to conduct higher-quality audits. Francis (2004) argued that audit committees tend to demand higher levels of assurance, question auditor findings, direct audit attention to areas of concern, and resolve conflicts between clients' management and auditors.

## **ETHICS**

Meidawati (2001) defined ethics as (1) the science of what is good and what is bad and about moral rights and obligations, (2) a collection of principles or values relating to morals, and (3) the values regarding right and wrong held by a group or society.

## **SCEPTICISM**

Boynton, Johnson, and Kell (2003) defined professional scepticism as a requirement for the auditor to remain objective in evaluating the conditions of observation and evidence obtained during the audit. The auditor should not believe that the management's assertions can be accepted without a sufficient evidence base.

### **2.2.2. PUBLIC ACCOUNTANT PROFESSIONAL STANDARD (SPAP)**

SPAP is a reference that serves as a quality measure and with which auditors must comply in providing their services based on Undang-Undang no. 5 Year 2011. The auditor is responsible for complying with the auditing standards set by the Institute of Certified Public Accountants (IAPI). Members of the IAPI, who practise as auditors, are required by the Code of Ethics to comply with auditing standards when it comes to auditing financial statements. The key point of emphasis in the SPAP concerns the absolute necessity to protect the public interest, followed by the independence and honesty of an auditor in his profession.

### **2.2.3. QUALITY CONTROL STANDARDS (SPM)**

In relation to the Auditing Standards and the Code of Ethics for the Professional Public Accountant ('Code of Ethics') established by IAPI, all public accounting firms that conduct assurance engagements (audits, reviews and other assurance engagements) and non-assurance engagements must comply with Quality Control Standards (SPM).

The following elements must be included in the quality control system established and maintained by each public accounting firm based on the SPAP issued by the Indonesian IAPI in 2013:

- a) Public accounting firm leadership responsibility for quality.
- b) The provision of applicable professional ethics.
- c) Acceptance and continuation of client relationships and specific engagements.
- d) Human resources.
- e) Implementation of the engagement.
- f) Monitoring.

### **2.2.4. AUDIT QUALITY IN THE IPO PROCESS**

Jain and Martin (2005) argued that essentially low-risk IPO issuers with good business prospects invest in high-quality audits to differentiate them from risky issuers, which are forced to seek low-quality audits. However, Kuswanto (2020) in contrast found that the use by longer-established companies of auditors affiliated with the Big Four accounting firms can lead to negative perceptions from investors. In addition, longer-established companies should not experience financial problems and should not need to conduct an IPO in the capital market.

Francis (2004) argued that it is difficult to evaluate audit quality. Du (2017) stated that difficulties in evaluating audit quality were experienced in the IPO market in China when audit opinion was used as a proxy for audit quality. The audit report for all Chinese companies wishing to launch an IPO is template-driven, and the type of audit opinion must be an unqualified opinion without an explanatory note. Audit quality can be evaluated from various perspectives. Among these, the output is becoming increasingly important, namely the audit report, which is part of the product quality following predetermined standards (Mashaekhi, Mehrani, Rahmani, & Madahi 2013).

## **2.3. RESEARCH FRAMEWORK**

This research discusses the attributes of audit quality in the IPO process at KAP XYZ, which is based on the perceptions of auditors. A questionnaire was distributed, aimed to collect data on the auditors' perceptions of the importance of audit quality attributes in the IPO process, which were then reconfirmed and deepened through the partner interviews. Furthermore, analyses were carried out regarding the efforts made by KAP to provide suggestions for improvements and developments that KAP XYZ can then implement. Figure 1 shows the overall research framework.



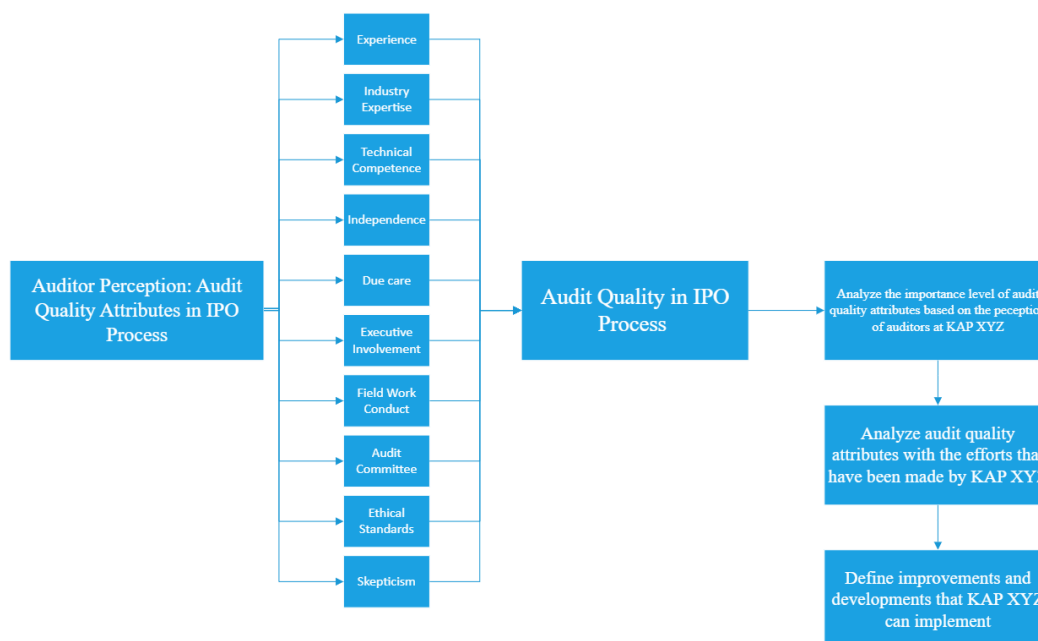


Figure 1. Research Framework

### 3. RESEARCH METHODS

This research was conducted using a case study as the research object, namely KAP XYZ, and the research subjects were external auditors registered with KAP XYZ, which is involved in the audit process of four companies as the total number of companies to have appointed KAP XYZ for IPO audits since 2017. A total of 14 auditors at KAP XYZ were involved in the IPO audit, consisting of two partners, two managers, three supervisors, four senior auditors and three junior auditors. A pilot test was carried out on four respondents to determine the clarity of the questions and the respondents' understanding of them. In the questionnaire, the auditors were asked to rate the degree to which they agreed that the statement of audit quality attributes in the IPO process affects the resulting audit quality evaluation. The responses were constructed using a seven-point Likert scale (Vagias, 2006), ranging from strongly disagree (rated as 1) to strongly agree (rated as 7). To avoid confusion (bias) from the halo effect and order effect, the 24 attribute statements were arranged randomly (Boon et al., 2008).

The data obtained from the questionnaires were then analysed by calculating the average (mean) of the score for each attribute statement and then ranking these from the highest to the lowest average score. The average value of each attribute was then

calculated to determine the importance level of the overall audit quality attribute. The importance level of the attributes was reconfirmed through interviews with partners at KAP XYZ.

#### 4. ORGANISATION PROFILE

KAP XYZ is a small registered public accounting firm with activities in accounting, auditing and taxation. Its leading partner holds a Public Accountant Licence from the Ministry of Finance of the Republic of Indonesia with the year 1998, *Nomor Izin Akuntan Publik* (NIAP) or Public Accountant License Number and a Public Accountant Registration number.

As a trusted public accounting firm, KAP XYZ has the vision to become a globally oriented firm based on professionalism, independence and high integrity, which relies on high-quality human resources and implements business strategies as a success factor in achieving a profitable business.

KAP XYZ conducted its first audit on the client company's IPO process in 2017. To do this, it had to become a KAP registered with OJK for the non-bank financial industry (IKNB) and the capital market in the same year, namely 2017. The company appointed KAP XYZ as its external auditor in the IPO process is engaged in various industries, including predominantly manufacturing.

#### 5. RESULT AND DISCUSSION

##### 5.1. DATA COLLECTION RESULTS

As outlined in Section 3, the questionnaires were distributed and sent directly to the respondents' place of work, namely KAP XYZ. Of the 14 auditors who were asked to complete the questionnaire, 12 responded, giving a high response rate of 85.71 per cent.

##### DEMOGRAPHIC PROFILE

As shown in Table 1, the respondents consisted of partners (17 %), managers (17 %), supervisors (17 %), senior auditors (25 %) and junior auditors (25 %).

**Table 1. Demographic Profile of Respondents**

Respondent Profile		Frequency	Percentage
Age	<31	5	42%
	31-40	4	33%
	41-50	1	8%
	>50	2	17%

Position in work	Partner Audit	2	17%
	Manager	2	17%
	Supervisor	2	17%
	Senior Auditor	3	25%
	Junior Auditor	3	25%
Length of time working at KAP XYZ	>10 years	8	50%
	5–10 years	4	22%
	1–4 years	4	25%
Last formal education	S1	10	83%
	S2	2	17%
	S3	0	0%
Have a CPA degree	Yes	2	17%
	Not	10	83%

## 5.2. ANALYSIS OF THE IMPORTANCE LEVEL OF AUDIT QUALITY ATTRIBUTES IN IPO

The first issue for examination in this research relates to the attributes that most influence audit quality in the IPO process at KAP XYZ. The data used, which are obtained from the questionnaires, indicate the importance level of the 24 individual statements concerning the audit quality attributes in the IPO.

In calculating the average value of each attribute using the average values of the existing statements, a ranking of attribute importance was obtained, as shown in Table 2. The three main attributes, as denoted by the highest ranks, were due care, audit committee involvement and independence. The placement within the top three of the due care attribute on the perception of KAP XYZ auditors mirrors the result obtained by Iskandar et al. (2010). However, in their research, independence at the audit team level was ranked fourth compared to its third-placed ranking in this research.

The audit committee involvement attribute was placed within the top three rankings in this research, which aligns with Behn et al. (1997), who found that this attribute had a significant effect on the evaluation of audit quality. However, the same attribute was placed among the bottom three ranks by Iskandar et al. (2010). This substantial difference can be attributed to the different groups of respondents, whereby those in Iskandar et al. (2010) comprised the financial staff of the client company. In addition, the importance of the audit committee's role in terms of the communication that occurs may indicate the requirement during the audit process in the context of the IPO. Here, the auditor accompanies the client in the preparation of the IPO and attends several review rounds, in addition to assisting the IPO company in responding to comments related to accounting.

**Table 2. Summary of Importance Level of Audit Quality Attributes in IPO**

Rank	Attribute	Average ( mean )
1	Due Professional Care (Due Care)	6.50
2	Audit Committee	6.50
3	Independence	6.33
4	Ethics	6.25
5	Executive Involvement	6.17
6	Scepticism	6.08
7	Experience	6.03
8	Industry Expertise	6.03
9	Field Work Conduct	6.01
10	Competence	5.97

The three lowest-ranking attributes in this study were competence, fieldwork and industry expertise. Two of these attributes, namely competence and fieldwork, were also considered to have no effect on client satisfaction in the research of Marsely and Sedianingsih (2017). However, this finding is very different from that of Boon et al. (2008), who found that competence and industry expertise were the most important in evaluating the quality of audit services.

These results therefore serve as a guide, in addition to SPM 1, for KAP XYZ in determining the character and scope of its quality control procedures.

Table 3 shows the 10 attribute statements that, according to the respondents, are the most important in influencing the evaluation of audit quality in the IPO. They are statements for the attributes of Independence, Due Care, Audit Committee Involvement, Experience, Competence, Field Work, and Ethics.

**Table 3. The 10 Statements of Audit Quality Attributes in IPOs with the Highest Rank of Importance**

Rank	Attribute	Statements in the Questionnaire	No. in the Questionnaire	Average (mean)
1	Independence	In all dealings with the client, the audit team never engages in any actions that would compromise its/their independence either in fact or in appearance	Q16	6.75
2	Due Professional Care (Due Care)	The audit team members as a group always exercised due care throughout the engagement	Q9	6.50
3	Audit Committee	There is frequent communication between the audit team and the audit committee	Q11	6.50
4	Experience	The audit manager and supervisor assigned to the engagement are very knowledgeable about the industry	Q23	6.42
5	Competence	The auditors assigned to the engagement are very knowledgeable about accounting and auditing standards	Q8	6.33
6	Field Work Conduct	The audit team members conducted the audit fieldwork in an appropriate manner	Q19	6.33

7	Ethics	The audit staff assigned to the engagement have very high ethical standards	Q10	6.25
8	Experience	The audit supervisor has been on the audit for IPO for at least two to three years	Q22	6.25
9	Field Work Conduct	The audit team meets stringent time budgets for each audit area that has been developed	Q4	6.17
10	Field Work Conduct	The audit team conducts a thorough study of the client's system of internal control	Q5	6.17

Similar to the research of Boon et al. (2008), statements in Q16, Q8 and Q10 are important attribute statements and are among the 10 statements with the highest importance. However, there is also a clear difference in the results of the perception of the KAP XYZ auditors, where ownership of the CPA professional title is not a priority and is ranked 16 out of 24. This perception is also supported by data on the demographic profile of auditors, where only 17 percent of the respondents hold a CPA title.

### **5.3. ANALYSIS OF PARTNERS' PERCEPTION OF AUDIT QUALITY ATTRIBUTES IN IPO**

In seeking to understand the partners' perceptions of the attributes of audit quality in the IPO process at KAP XYZ, the 10 highest-ranking attribute statements from previous questionnaire results were deepened.

Based on the results of the interviews with two KAP XYZ partners, there were more difficulties associated with audits for IPOs compared to general audits. IPO audits tend to be longer in duration because the audit accounts for only one of the stages that the client must complete in the IPO registration. In the process, auditors must also interact with other supporting professionals and need to assist IPO companies in responding to comments related to accounting in the several rounds of reviews and comments from the OJK. Further, the IPO audit, which is classified as high risk, requires a more detailed presentation, disclosure and measurement. KAP also need to follow additional rules for auditing in the context of this IPO.

Regarding the attribute statement in Q23, a partner confirmed that sufficient experience will translate into good understanding and is important. Moreover, managers and supervisors must understand the client's industry because these two roles are close to team members and it is they, in addition to the audit partner, who lead the audit directly. Knowledge of the specific industry is crucial because one industry will have a different character and complexity from another.

In addition, concerning the statement in Q22, a partner stated that the experience of the supervisor, as well as manager and partner, are important in the appointment of the audit team to carry out audits of IPO companies. The audit team involved, in addition to performing it, will accompany the client throughout the IPO registration process and engage in discussions with other supporting professionals and regulators.

Overall, before discussing other attributes, experience is a determining factor in the selection of audit team members in the context of an audit for an IPO.

The attribute statement regarding independence in Q16, occupies the highest level of importance in the perspective of all auditors involved. The partner believes that given the scope of the auditor's work, responsibilities as well as the applicable regulations and code of ethics, the auditor profession should act independently. For example, KAP must qualify, in most IPO audit cases, related to the disclosure of the use of funds from the IPO. If the auditor does not act independently, issues related to non-compliance with the professional code of ethics will arise and become the findings of PPPK (*Pusat Pembinaan Profesi Keuangan*), or Finance Professions Supervisory Center, which would have a severe and ruinous impact on KAP XYZ.

In order for the audit results to be of use to those who need them, the auditor is required to exercise due care, which in this research was captured by the perception of the statement in Q9. According to the partner, accuracy and thoroughness have become a must for all auditors, for both IPO and non-IPO audits. The slightest mistake related to inaccuracy will have enduring negative consequences, both for the KAP and the client; in the worst cases, this can result in the cancellation of the client company's IPO registration.

According to the partner's view regarding technical competence, with the statement in Q8, the auditor, who is the main person in charge of and most closely involved with the audit, should have sufficient technical competence. To date, KAP XYZ has conducted an annual assessment of the competence of auditors, with senior and junior auditor assessments conducted by supervisors, supervisor assessments by managers, and manager assessments by partners.

In addition, the involvement of the audit committee is considered to be very important in terms of producing a good-quality IPO audit, and is assessed by the statement in Q11. The partner stated that the auditor must assist the client company by responding to comments related to accounting, therefore a lack of communication can hinder the audit process. In practice, most prospective issuers have yet to form an audit committee, and several have yet to establish an internal audit section, which means communication with the auditor is carried out with the client's finance and accounting department. However, according to the partners, communication with the internal audit party or audit committee is more effective than with other department, due to the different roles and focuses.

Another important attribute is field work. Regarding the statement in Q19, the partner believes that in audits, especially audits for IPOs, each member needs to carry out fieldwork in a highly appropriate manner and not tolerate the slightest error or deviation from the established procedures that have been set. The next fieldwork attribute statement is in Q4. According to the partner, the audit team must be able to meet the specified time budget, considering the length of the IPO registration process and the strength of the link between the IPO audit and the overall registration process. Inappropriate timing of the work by the auditor can produce lengthy outcomes, one of which is a delay in the IPO time and the need to change the audit book as well as

possible regulatory changes that need to be followed. During the Covid-19 pandemic, the IPO registration time was extended, namely from six to seven months.

Next, regarding the statement in Q5, the audit team can implement a risk-based audit better if they understand and examine more deeply the internal controls within the client company, as it will determine the procedures to be carried out in the IPO audit. IPO audits are basically classified as high risk, because of their purpose, namely the IPO. If the client's internal control system is inadequate, the procedure will be more detailed; for example, by increasing the number of samples required. This also applies the other way around.

In the partner's view of ethical attributes, with the statement in Q10, the possession of high ethical standards, in accordance with the ethical codes set by IAPI, has become an obligation for every auditor, for both IPO and non-IPO audits. Auditors must be able to contend with high pressure from various parties, to protect these ethical standards.

#### **5.4. ANALYSIS OF EFFORTS BY KAP XYZ IN IMPROVING AUDIT QUALITY IN THE IPO PROCESS**

The second problem in this research relates to the efforts made by KAP XYZ to improve audit quality in the IPO process in the future. The data used derive from the results of the interviews with its partners. KAP XYZ conducts an annual assessment of the competence of each staff member involved in the IPO audit to ensure that the auditors understand and have insight into the updated regulations. To date, it has also conducted regular training for each level of auditors within KAP.

In assigning the audit team for the IPO audit, KAP XYZ, considering the high risk of the IPO audit, emphasises that its focus should be on working on only one client's IPO audit. In the event of delays related to the completeness of data from the client, the auditor is permitted to work on other client for general audits. KAP XYZ also emphasises the use of audit tools that are more relevant and aligned with the latest regulations, namely ATLAS, which was developed by PPPK and IAPI.

In relation to KAP XYZ's plan to improve the quality of future IPO audits, it plans to facilitate the professional education of auditors who have been assessed, namely CPA education. In addition, the training obligation for each auditor will be emphasised as to date, most of the minimum hours of debriefing (training) have not been met. Special training with IPO audit specialists will also be carried out to ensure that each member, especially those involved in the IPO audit, has adequate insight and understanding.

With the limitations of KAP XYZ regarding specialists in special industries, such as insurance and multi-finance, it will employ experts to enable it to enter into and carry out IPO audit work well for that specific industry. To improve the efficiency of the IPO audit, KAP XYZ also plans to purchase and implement an application similar to ATLAS, albeit one that is classified as more user-friendly.

## **6. CONCLUSION AND RECOMMENDATION**

Based on the results and analysis of this research, the following conclusions can be drawn: (1) According to the auditors of KAP XYZ, three main attributes are important in terms of their influence on the results of audit quality in the IPO process, namely due care, audit committee and independence. This is reflected in the average of the scores given in the questionnaire; (2) Due professional care will be formed and improved through the auditors' experience of auditing IPO companies and assisting clients as potential issuers. Therefore, the appointment of the audit team at KAP XYZ will be based on the experience of the auditor; and (3) KAP XYZ's efforts to improve audit quality in the IPO include the provision of auditor training and professional CPA titles, the recruitment of experts in special industries, and the implementation of user-friendly audit applications.

With the presence of room for improvement in audit quality for IPO process, KAP XYZ is recommended to focus on experience along with knowledge of the assigned audit team. It can tighten the scheduling of auditors' obligations to participate in training. The knowledge and competence of auditors could also be evaluated more regularly. This is necessary to monitor the performance of the auditor so that they can produce a quality audit.

This research has several limitations, notably the fact that it focused solely on the audit team level and was conducted with only 12 subjects. In addition, related to the research subject, this study did not include all auditors involved in the IPO audit assignment since 2017 due to changes in positions and employee turnover that have occurred.

In terms of future research directions, studies may wish to examine several KAPs with a larger number of respondents. In addition, researchers may seek to include attributes at the level of the audit team and audit firm, as researched by Iskandar et al. (2010).



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