# FACTORS AFFECTING AUDIT QUALITY IN NEPALESES AUDIT FIRMS

A Dissertation Submitted to the office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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December 2024

# CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "Factors Affecting Audit Quality in Nepalese Audit Firms". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## REPORT OF RESEARCH COMMITTEE

Akriti Limbu has defended research proposal entitled "Factors Affecting Audit Quality in Nepalese Audit Firms" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Keshar Singh Khati and submit the dissertation for evaluation and Viva-Voce examination.

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## APPROVAL SHEET

We have examined the dissertation entitled "Factors Affecting Audit Quality in Nepalese Audit Firms" presented by Akriti Limbu for the degree of Master of Business Studies. We hereby certify that the acceptable for the award of degree.

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# ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to all the people who have supported me in the completion of my dissertation entitled "Factors Affecting Audit Quality in Nepalese Audit Firms ". First and foremost, I would like to express my sincere thanks to the Head of the Research Department at Shanker Dev Campus, Assoc. Prof. Dr. Sajeeb Kumar Shrestha, Acting Campus Chief Joginder Goet for providing me with this opportunity to conduct this study and for his/her unwavering support throughout the entire process.

I am deeply grateful to my supervisor, Keshar Singh Khati, for his invaluable guidance, encouragement and support throughout the duration of this Dissertation. I would not have been able to complete this dissertation without his kind help and co-operation, even though he was busy with his own business. I would also like to extend my sincerest thanks to the other teachers and staffs at Shanker Dev Campus who have always been a source of motivation and inspiration. Their cooperation, friendliness and willingness to provide me with the necessary information and reports for my study, even in their busy schedules, is highly appreciated.

Finally, I would like to thank my family and friends for their support and understanding throughout my academic journey. I could not have done it without their love and encouragement. Once again, I would like to express my sincere gratitude to all who have contributed to the successful completion of this dissertation."

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# ABBREVIATIONS

| | | |
|---|---|---|
| AC | : | Audit Committee |
| AE | : | Audit Experience |
| ANOVA | : | Analysis of Variance |
| AP | : | Audit Professionalism |
| AQ | : | Audit Quality |
| ASE | : | Amman Stock Exchanges |
| AT | : | Audit Tenure |
| CAMA | : | Companies and Allied Matters |
| CEO | : | Chief Executive Officer |
| CFA | : | Confirmatory Factor Analysis |
| CSR | : | Corporate Social Responsibility |
| DA | : | Discretionary Accruals |
| EFA | : | Exploratory Factor Analysis |
| EU | : | European Union |
| FRC | : | Financial Reporting Council of Nigeria |
| FRQ | : | Financial Reporting Quality |
| F-value | : | Fishers' Value |
| IDX | : | Indonesia Stock Exchange |
| KAP | : | Public Accounting Firm |
| KODE | : | Knowledge of Detecting Errors |
| MAO | : | Modified Audit Opinions |
| MRA | : | Moderated Regression Analysis |
| PSE | : | Pakistan Stock Exchange |
| P-value | : | Probability Value |
| QCDs | : | Quality Control Deficiencies |
| SD | : | Standard Deviation |
| SERVQUAL | : | Service Quality |
| Sig. | : | Significance |
| SPSS | : | Statistical Packages for the Social Science |
| TBP | : | Time Budget Pressure |
| UK | : | United Kingdom |
| US | : | United State |

# ABSTRACT

Factors Affecting Audit Quality in Nepalese Audit Firms is the title of the research. The study's main goal has been to identify the key elements influencing audit quality. Descriptive and causal comparative research designs were used in the study. The five different kinds of independent variables and how they relate to the dependent variable are the subjects of this research. An analogous tendency of the causal comparative study design is to establish a causal link between the variables under investigation. The dependent variables (audit quality) and independent factors (audit experience, audit professionalism, audit tenure, mistake detection expertise, and time budget pressure) are the primary topics of this study, and the descriptive research methodology has aided in fact-finding. Four hundred auditors from the Kathmandu Valley who are presently auditing in various audit industries make up the study sample. The scale's items range in score from 1 (extremely dissatisfied) to 5 (highly pleased). The survey approach was employed to collect primary data for the research. The respondents were given a standardized questionnaire, which was sent to them both online and in person. In this work, data analysis was done using both descriptive and inferential statistical methods. Measures of central tendency and frequency distribution are examples of descriptive statistical methods. Cronbach's alpha test and other inferential statistical methods were also used in the investigation. MS-Excel and SPSS version 25.0 have been used for the analysis of primary data.

In summary, the ability to identify mistakes results in improved audit quality maintenance, but audit experience has little bearing on audit quality. Additionally, audit expertise has a good impact on audit quality. Likewise, audit professionalism has a beneficial impact on audit quality. Additionally, time budget constraint has a favorable impact on audit quality. Additionally, audit tenure has a beneficial impact on audit quality. Ultimately, the ability to identify mistakes has a favorable impact on audit quality.

**Keywords:** Audit Quality, Audit Experience, Audit Professionalism, Time Budget Pressure, Audit Tenure and Knowledge of Detecting Errors

# CHAPTER-I
# INTRODUCTION

## 1.1 Background of the Study

The evolution of the modern company environment has clarified why an audit procedure is becoming more and more necessary. This is due to the fact that different people may possess shares and investments in a company organization. Since shareholders and management are separate entities, financial reports that management prepares and presents to shareholders must be verified for fairness and accuracy in accordance with relevant legislation (Calocha & Herwiyanti, 2020).

Third parties or independent outside parties carry out audit operations, which is crucial for a business to perform (Probohudono et al., 2019). An audit report, which serves as the standard for audit quality, provides examples of how the audit process performed. Three interest groups employ independent party audit reports: shareholders, management of the firm being audited, and third parties or external parties including suppliers, creditors, and possible investors. It is possible to define the audit as an impartial inspection procedure that lowers the likelihood of information in the financial statements and the management being out of sync. An independent party audit report has been used by users of financial accounts, particularly shareholders, to inform their choices on how fairly a company's financial statements are presented. This clarifies the significance of the independent party in approving a business's financial reports.

The professionalism, skill, and competing tasks of the tax auditors may have an impact on their performance. According to the study's findings, a tax auditor will perform better if he is more qualified and professional. Besides, the findings of the research also revealed that the greater the conflicting duty of a tax auditor is, the less ideal his performance would be. Furthermore, a tax auditor's effectiveness may be impacted by his locus of control. A tax auditor with an internal locus of control and a high degree of professionalism and competence will function well. On the other hand, regardless of whether a tax auditor has high levels of professionalism and competence, his external locus of control will restrict the function of professionalism and competence in increasing his performance (Ratnawati, 2020). The study's results demonstrate the expertise and professionalism of its tax auditors.

Additionally, the organization should steer clear of tax auditors having contradictory functions. The orientation of potential tax auditors should be taken into account when hiring tax organizations in order to enhance their performance. This research shows how professionalism and competence may play a bigger role in enhancing performance when there is an internal locus of control. Furthermore, the performance drop of tax auditors due to perceived role conflict may be limited by internal locus of control (Ratnawati, 2020).

The moderating factors' test findings in this research indicate a positive beta value. As a result, tax auditors have an internal locus of control and are experts. This conclusion implies that competence and professionalism will improve the performance of the tax auditors even more. Saputra (2012) discovered that the performance of tax auditors is impacted by locus of control.

Retno Sari and Thawil (2016) also found that organizational commitment and job insecurity have an impact on work satisfaction, but that this effect is moderated by locus of control. By restricting its ability to lower the performance of tax auditors, locus of control will have an impact on role conflict. In contrast, role conflict will have a greater impact on lowering performance when there is an external locus of control. Tax auditors will be able to perform successfully in a workplace where they can get clear instructions or guidance from management and where controls are consistently implemented. The external locus of control of a tax auditor will increase role conflict's ability to impair performance. According to relevant auditing standards, external auditors must possess both professionalism and work experience in order to improve audit quality. They must also learn how to recognize and adjust to changes in the audit scope. According to Moroney and Carey (2011), having enough job experience might help one perform better while finishing assignments. The quality of the audit has improved with an external auditor's length of service. According to Wardayati et al. (2019), professionalism therefore impacts audit quality and auditor quality, which in turn affects the auditor's performance as an employee.

Numerous variables, including environmental, technical, and sociocultural ones, affect how audible sound is in Nepal. Environmental considerations include the temperature and terrain of the area, as well as the existence of physical barriers to noise, such as hills and mountains. The usage of audio equipment including speakers, amplifiers, and microphones as well as the kind of transmission media used are examples of technological considerations. The cultural backdrop of the area, including the language spoken and the

contributions of gender, age, and educational attainment on sound perception, are referred to as socio-cultural factors (Acharya & Wilson, 2022).

Physical obstacles to sound, such hills and mountains, have been shown to be one of the primary variables influencing sound audibility in Nepal. For example, a research by Acharya and Wilson (2022) discovered that the Kathmandu Valley's sound pressure level significantly decreased due to the presence of mountains and hills. Furthermore, the research found that the geography of the region significantly influenced how well sound was perceived, with lower-lying locations producing more detectable noises than higher-lying ones.

### 1.2 Problem Statement

According to research on auditor experience by Mulyadi (2013), audit quality is significantly and favorably impacted by auditor experience. The findings of studies on auditor experience by Slamet (2012), Nirmala et al. (2013), and Wulandari et al. (2014) are comparable to those of Mulyadi (2013), who found that auditor experience significantly and favorably influences audit quality. This finding differs from that of Futri and Juliarsa's (2014) study, which finds that auditor experience has no impact on audit quality, hence contradicting earlier findings. Research on auditor professionalism by Mulyadi (2013) suggests that auditor professionalism has a considerable favorable influence on audit quality. Futri and Juliarsa (2014) found no correlation between audit quality and auditor professionalism. Research by Ningsih and Yaniartha (2013) demonstrates that time budget constraint significantly impairs audit quality. The findings of earlier study are further supported by Nirmala et al. (2013), who found that time budget constraint significantly lowers audit quality. While Arisinta (2013) asserts that time budget pressure has an impact on audit quality, Zam and Rahayu (2015)'s study challenges earlier findings that time budget pressure has no discernible beneficial impact on audit quality.

i) What is the most prominent factor that affect the audit quality?
ii) Is there relationship between audit experience, auditor professionalism, time budget pressure, audit tenure, knowledge of detecting errors and audit quality?
iii) Do audit experience, auditor professionalism, time budget pressure, audit tenure, knowledge of detecting errors have an effect on audit quality?

### 1.3 Objectives of the Study

The general objective of the study is to examine the factors that affect the audit quality. The specific objectives of the study are as follows:

i) To examine the most prominent factor that affect the audit quality.
ii) To analyze the relationship between audit experience, auditor professionalism, time budget pressure, audit tenure, knowledge of detecting errors and audit quality.
iii) To examine the effect of audit experience, auditor professionalism, time budget pressure, audit tenure, knowledge of detecting errors on audit quality.

### 1.4 Research Hypotheses

During this research, alternative hypotheses have been tested form research question which is declared below.

H1: Audit experience has significant effect on audit quality.
H2: Auditor professionalism has significant effect on audit quality.
H3: Time budget pressure has significant effect on audit quality.
H4: Audit tenure has significant effect on audit quality.
H5: Knowledge of detecting errors has significant effect on audit quality.

### 1.5 Rationale of the Study

For auditors, academic scholars, and research teams, this study has been beneficial in a number of ways. The fairness of financial accounts is a matter of opinion for auditors. The company's internal control system may also have an impact on audit quality, and the size of the audit firm may also be significant. Audit quality is not just influenced by the qualifications of the auditor. Small audit companies and certain authorities, however, asserted that the size of an audit company should not be taken into consideration when choosing an auditor since it has no impact on the quality of the audit. The certainty that the data is being recorded, appropriately assessed, and fairly presented is crucial for those who utilize financial statements. To enhance the likelihood that decision makers would depend more on the auditor's report and audited financial statements—which are more accurate, impartial, and pertinent—auditors must improve their abilities. The development and

improvement of the global economy and corporate enterprises are significantly influenced by audit.

### 1.6 Limitations of the Study

This study has the following limitations as described below.

i) The professional auditors in Kathmandu valley are just concerned for the data collecting.

ii) The sample size of the research is four hundred. The questions generated are delivered to four hundred auditors via online survey.

iii) Data are gathered from only competent auditors.

iv) There are various elements that impact the audit quality but this research is solely centered on audit experience, auditor professionalism, time budget strain, audit tenure and expertise of identifying mistake.

v) The sub-factors of professionalism, role conflict and competency are not brought in into account for data analysis.

vi) The complex statistical methods have only been used for data analysis purpose such as descriptive, correlation and linear regression analysis however there could be non-linear connection between variables performed.

# CHAPTER-II
# LITERATURE REVIEW

## 2.1 Theoretical Review

The theoretical reviews consist of different theories related to audit. The theories have been discussed below.

### 2.1.1 Agency Theory

According to a basic agency model, principals lack motivation to trust their agents due to information asymmetries and self-interest. To address these issues, they will implement measures to align agents' interests with principals and limit the likelihood of opportunistic behavior and information asymmetries (Richard & Jack, 1905).

### 2.1.2 Motives of Agents and Information Asymmetries

It is often known that principals and agents have different goals, which frequently result from disparities in internal and external incentives. Their actions and choices may be influenced by elements unrelated to common organizational ideas, such as monetary rewards, professional goals, and connections with other stakeholders. These factors may cause agents to be more optimistic than is justified by the situation, especially when assessing the financial success of an organization or the results of contractual commitments. To further highlight the difference in their approaches to decision-making, agents may also have a lower risk tolerance than principles. The openness and dependability of data communicated between parties may be jeopardized by these mismatched objectives, which may even induce intentional distortions in the information flow. In turn, principals often express worries about information asymmetry, which is a circumstance in which agents have important knowledge or insights that are unavailable to them, making it more difficult to establish alignment and trust (Richard & Jack, 1905).

### 2.1.3 Mechanisms to Align Interests and the Role of Audit

Information asymmetries combined with principals' and agents' differing incentives can give rise to serious doubts about the accuracy of the information that agents provide. Because mismatched interests might result in less than ideal results, these worries directly

affect the degree of confidence principals have in their agents (Richard & Jack, 1905). Several strategies may be used to overcome these obstacles and improve alignment. By bringing agents' objectives into line with principals', principals can measure, track, and regulate agents' actions while fostering trust (Richard & Jack, 1905).

Creating compensation plans and giving agents specialized incentives is one of the most popular strategies. According to Richard and Jack (1905), these procedures may be useful instruments for guaranteeing that agents' activities align with the objectives of the organization. To match agents' motivations with intended results, for example, performance-related pay measurements and incentives, including bonuses and share options, are often used. Principals are more prone to use such incentive-based frameworks when there is less confidence in agents (Richard & Jack, 1905). This usually means paying agents a base income that is quite low and then adding a variety of perks that are dependent on the agents fulfilling certain performance standards (Richard & Jack, 1905).

Fostering alignment is also greatly aided by the market for corporate control and governance procedures, such as the board of directors' hiring and firing decisions (Richard & Jack, 1905). These actions provide extra levels of supervision and make it apparent that responsibility is expected (Richard & Jack, 1905).

But even while these systems could correct the mismatch right away, they can also create new problems for the agency, especially when it comes to accurately measuring and assessing performance (Richard & Jack, 1905). Contractual agreements that clearly define roles and obligations and provide enforcement procedures and sanctions for non-compliance might help to lessen these problems (Richard & Jack, 1905). As an alternative, these duties may be embodied in legislative frameworks, such as company law laws that place certain duties on directors and provide penalties for noncompliance (Richard & Jack, 1905). A greater level of consistency and accountability may be attained by incorporating these standards into legislative frameworks, which will address agency issues more thoroughly (Richard & Jack, 1905).

### 2.1.4 Principal-Agent Relationship

**Another monitoring mechanism is the audit**

The history of auditing dates back thousands of years, closely tracking the evolution of accounting. A system to guarantee responsibility and reliability became vital as

civilizations developed and the delegation of duties involving property or assets became essential. The need for checks to verify the loyalty and honesty of persons in such positions of trust emerged from circumstances in which one person was entrusted with the assets or interests of another (Richard & Jack, 1905).

Auditing is a method of independent verification that examines the reports and activities of agents. Auditing is essential to building and maintaining confidence between parties because it offers an unbiased assessment of the data and work done by agents. By guaranteeing openness and dependability in financial and operational procedures, this independent review helps allay worries about mistakes or deception (Richard & Jack, 1905).

**Trust**

The fundamental agency model is predicated on the idea that agents are fundamentally unreliable and would put their own interests ahead of principals' anytime there is a chance to gain an advantage at the principal's cost. However, this presumption ignores the potential that, even in the absence of monitoring or performance evaluation systems, some agents could behave honorably and coordinate their efforts with the goals of their leaders (Richard & Jack, 1905).

The need of putting incentive structures and monitoring systems in place is greatly influenced by the degree of unreliability among actors. Stronger processes are needed to guarantee responsibility and alignment with company goals when agents are thought to be less trustworthy. On the other hand, more trustworthy agents may lessen the need for these processes, leading to more effective principal-agent interactions (Richard & Jack, 1905).

### 2.1.5 A Simple Model of Audit

**UK historical context**

The current audit role in the UK has evolved over decades, mostly in reaction to agency-related issues. Baker and Collins claim that its roots may be found in the Middle Ages, when the need for accountability was brought to light by the verification of public accounts, including borough accounts, Exchequer accounts, and the accounts of public entities. Similarly, audits were used to confirm the correctness and integrity of financial transactions in business endeavors and the administration of estates by merchants and nobles. This

practice started when duties were assigned to agents who were in charge of protecting or overseeing other people's property. This naturally led to concerns about competence, honesty, and trust, which is why audits had to be established (Richard & Jack, 1905).

Significant progress in financial reporting was made in the nineteenth century as a result of the UK economy's explosive development and the change of capital markets brought about by the rise of banking and investment. The division of ownership and control inside businesses as a consequence of this economic development raised the possibility of conflicts of interest between managers and shareholders. Given this, audits became an essential tool for protecting the interests of shareholders by making sure that management of the firm behaved in a way that met owner expectations (Richard & Jack, 1905).

Even though audits are becoming more and more important, registered firms were not legally required to conduct yearly audits until the firms Act of 1900 was passed. The audit process was institutionalized with this legal milestone, which strengthened its function as a tool for improving responsibility and trust in the changing business environment (Richard & Jack, 1905).

**The expert auditor**

The idea that auditors are impartial specialists was not very prevalent in the past. While corporation audits in the middle of the nineteenth century were often carried out by individual shareholders, Watts and Zimmerman state that audits inside merchant guilds were usually carried out by committees made up of guild members. Since the principals themselves handled the auditing duties in these situations, the independence of the auditors from the agents running the business was not a major problem (Richard & Jack, 1905).

However, a number of agency partnerships show that principals often lack the technical know-how and experience needed to evaluate whether agents have successfully carried out their responsibilities. Nowadays, there is a greater need for professional auditors due to this knowledge gap and information asymmetries. But adding a new level of agency connection via the appointment of expert auditors raises questions about their independence and adds further complexity to the principal-agent dynamic in terms of trust and responsibility (Richard & Jack, 1905).

## 2.2 Conceptual Review

A business in the UK is run by a group of shareholders acting as principals and a board of directors acting as agents. In essence, the directors serve as trustees for the shareholders, tasked with overseeing the company's operations. The agency dynamic in businesses is highlighted by this division of ownership and control. Fiduciary obligations, which include acting in good faith and putting the company's best interests first, bind directors. Common law underpins these obligations, which provide a framework for morally righteous and accountable decision-making (Richard & Jack, 1905).

The duties of directors are further clarified by statutory requirements. Specific responsibilities pertaining to the creation of company accounts and general management are outlined in the Companies Act of 1985. To improve comprehension of these duties, further advice has been suggested. The broad responsibilities of directors are outlined in the Company Law Reform Bill, which was presented to the House of Lords in November 2005. By encouraging openness and accountability in corporate governance, these steps seek to help directors and shareholders understand the breadth and importance of these duties (Richard & Jack, 1905).

### 2.2.1 A Simple Model of Audit

The main instrument used by shareholders to evaluate the performance of directors is financial statements. However, the relationship between a director and a shareholder may become strained due to the division of ownership and control, knowledge asymmetries, and conflicting goals. Due to their frequent lack of access to comprehensive operational data, shareholders may believe that the financial statements are skewed or lacking important information. A greater understanding of the function of audits in fostering confidence and guaranteeing transparency may arise from this lack of faith in the directors. According to Richard and Jack (1905), audits are seen as an essential tool for maintaining confidence and reducing the expenses related to these agency disputes.

In accordance with Section 235 of the Companies Act 1985, auditors are chosen by the shareholders and answer directly to them. They provide an unbiased evaluation of the accuracy and equity of the financial accounts that the board of directors has produced. By serving as a steward and reinforcing responsibility, this statutory audit makes sure that directors behave in the best interests of shareholders. Additionally, the Caparo decision

confirmed that UK auditors had a duty of care to the company's current shareholders as a group. Independent auditors are brought in under this agency model of auditing to resolve disputes between directors and shareholders and to foster stability and confidence. Initiatives by the Audit Quality Forum and other efforts to increase shareholder involvement in the audit process have resulted in recommendations for the Financial Reporting Council and the Government that highlight the changing function of audits in corporate governance (Richard & Jack, 1905).

### 2.2.2 Complicating Factors

Although it is often acknowledged that the audit plays a role in resolving principal-agent disputes, this model offers a relatively limited perspective on that role. The connection between shareholders and directors is only one facet of the many intricate issues that accompany audits. There are other stakeholders that could be interested in the audited data in addition to this main agency connection. These stakeholders often depend on audited financial statements, especially when they are made publicly accessible. These stakeholders may include creditors, regulators, and the general public. The audit's function in corporate governance may be complicated by their interests, which may not cleanly fit the conventional principal-agent paradigm (Richard & Jack, 1905).

When audited data gets available to the general public, it becomes a public good that many outside parties may use. These diverse stakeholders often have distinct goals and issues that don't align with the typical principal-agent framework put out by agency theory. As a result, the audit's job has become more complex, addressing a wider range of interests and obligations than only settling disputes between directors and shareholders. This intricacy emphasizes the need of a sophisticated comprehension of the audit's role in promoting corporate responsibility as well as broader social objectives (Richard & Jack, 1905).

### 2.2.3 Auditors as Agents

Simple agency theory states that principals often use outside specialists who are not affiliated with their agents when they lack confidence in their ability to provide correct and dependable information. This presents auditors as the principals' agents, which in turn raises questions about independence, objectivity, and trust. Shareholders have comparable concerns about auditors as they have about directors' dependability. According to agency theory, agents are intrinsically unreliable, even while certain agents—like directors or

auditors—may behave honorably without the need for extra rewards or oversight. Like directors, auditors have personal interests to take into account. For example, they may be risk averse, which might cause them to use risk management techniques that restrict the scope of their job and include disclaimers in their reports, which could irritate principals (Richard & Jack, 1905).

Since auditor independence is seen as a major factor in determining the quality of audits, it is vital to shareholders. However, questions about the perceived and real independence of auditors are often raised by the tight working connection that is necessary between the board of directors and auditors. As a result, shareholders are calling for more stringent laws and procedures to protect auditor independence. Auditors must take the required precautions and be on the lookout for challenges to their impartiality if they want to preserve their credibility and confidence. Maintaining independence is a major motivation for guaranteeing the quality and integrity of the audit process since it is essential for auditors to do so in order to safeguard their reputation, retain current customers, and draw in new ones (Richard & Jack, 1905).

### 2.2.4 Regulatory Purposes

Both the need for and the purpose of audits are significantly shaped by regulations. To guarantee that the principals' interests are sufficiently safeguarded in this situation, regulators act on their behalf. It is the duty of the regulators to guarantee adherence to regulations and standards in order to enhance confidence in the auditing process. Furthermore, because many regulatory organizations may be in charge of various facets of corporate governance, the job of regulation is not restricted to a single organization. For instance, one group would be in charge of regulating business boards, while another would be in charge of managing auditors directly (Richard & Jack, 1905).

The complexity of the regulatory context in which audits function is shown by the existence of many regulatory principles. The significance of maintaining efficient supervision procedures is further highlighted by the fact that each regulatory body has unique duties and focuses on various aspects of business behavior. In order to protect the interests of shareholders and other stakeholders and to advance accountability and transparency in the corporate sector, regulators who oversee company boards and auditors must coordinate (Richard & Jack, 1905).

### 2.2.5 Complication Factors

Because it may directly affect the value of the firm in which they have a stake, all shareholders in a company are interested in the general level of market confidence and, consequently, the audited financial statements of other companies. As a means of strengthening trust, regulators are consequently quite interested in the audit. The authority granted to the Securities and Exchange Commission (SEC) under the US corporate reporting model is the most obvious example of the regulatory requirement for audit (Richard & Jack, 1905).

**Regulatory corporate reporting model in the US**

The 1933 Securities Act, which applies to SEC registrants and attempts to provide financial reporting and monitoring for market pricing reasons, served as the model for the regulatory system that now exists in the United States. This governance model was created to provide a uniform method of financial reporting and to make up for the restricted rights of shareholders under state law. In order to prevent the spread of misleading information that can skew market prices, audits are essential. However, markets do not operate like principles because they are fundamentally unpredictable. The formation of the Public Company Accounting governance Board under the 2002 Sarbanes-Oxley Act and the SEC under the 1934 Securities Exchange Act serve as examples of how US regulators have taken on a crucial role in corporate governance. The independent directors on the audit committee, who essentially serve as principals in lieu of the company's owners, are increasingly holding auditors responsible, even though US shareholders have little say in the audit process (Richard & Jack, 1905).

### 2.2.6 Public Interest in Audit and the Needs of Contracting Parties

Companies in the UK are compelled to provide certain financial data to the public, which piques the attention of stakeholders other than shareholders. Other stakeholders, like creditors, lenders, credit agencies, consumers, and workers, may also have a role in making sure the firm fulfills its commitments to them, even if auditors doing statutory audits are solely answerable to shareholders. These parties often anticipate that auditors will remain impartial toward shareholders. Because the statutory audit isn't meeting their needs or because they want to commission an audit for a non-statutory reason, these parties may sometimes request supplementary audits that are customized to meet their unique

requirements. Applying universal, principles-based auditing standards to various audit types, where the goal may change, presents issues. Even while principal-agent concerns may not always be pertinent in recognizing the differing expectations from various stakeholders, it is still crucial to retain trust and confidence in all audits despite these disparities (Richard & Jack, 1905).

### 2.2.7 The Interests of Agents and Unconscious Bias

Since shareholders also serve as directors in many businesses, especially private ones, ownership and control are one and the same. Because owner-managers have direct access to the data required to evaluate the company's financial situation, the principal-agent dilemma does not apply in these situations. Even in the absence of a principal-agent conflict, some businesses nonetheless decide to go through an audit, which might be seen as a cost for limited responsibility. Furthermore, these businesses could have additional stakeholders who gain from the audit, including creditors or workers, which increases the need for independent financial information verification (Richard & Jack, 1905).

Unconscious bias, especially the danger of self-review, is another factor driving the need for audits that has nothing to do with agency theory. Due to self-serving bias, directors may feel too intimately involved in the company's problems to evaluate them objectively, which might result in inadvertent financial reporting inaccuracies. In these situations, an audit reduces the possibility of bias and acts as an impartial check to guarantee the correctness of financial data. Additionally, audits provide directors expert counsel and useful second views, which enhances internal decision-making and lowers mistakes. In bigger businesses, where internal auditing is essential to preserving financial integrity, this is particularly significant. Consequently, audits improve the legitimacy and value of the financial information provided, which is crucial for the company's stakeholders, in addition to assisting in the resolution of bias and expertise concerns (Richard & Jack, 1905).

## 2.3 Empirical Review

### 2.3.1 Review of International Articles

Indarti and Widiatmoko (2024) explored how earnings management and audit quality impact the cost of equity capital, with an emphasis on whether audit quality moderates the link between earnings management and the cost of equity. Their analysis examined firms in the consumer products industry listed on the Indonesia Stock Exchange (IDX) from 2016

to 2018. This industry was picked because of its durability in economic downturns, making it a potential investment. Using a purposive selection approach and Moderated Regression Analysis (MRA), the research indicated that earnings management favorably influences the cost of equity capital, while good audit quality leads to reduced equity costs. The moderating impact of audit quality was verified, demonstrating that even when earnings management occurs, the trust investors take in high-quality audits helps decrease the cost of equity capital.

Vanstraelen and Zou (2023) evaluated the influence of PCAOB inspection findings on audit price for small audit firms, especially concentrating on the role of quality control defects (QCDs). Their results demonstrated that before inspections, audit costs were higher for small audit companies without QCDs, suggesting that quality discrepancies were already priced in. After inspections, costs for companies without QCDs continued to grow, but there was no change for firms that had remediated their QCDs, reflecting changes in audit company reputation. The research also indicated that audit fees for businesses with reported QCDs did not rise, and with time, the amount of price fluctuations declined, adding to the knowledge of audit quality disparities across small audit firms.

Rosati et al. (2023) studied the association between cybersecurity events and audit quality, taking data breaches as indications of internal control problems. Their analysis revealed no indication that cyber attacks led to a deterioration in audit quality. In fact, they noticed favorable movements in various audit quality proxies, such as a drop in anomalous accruals, an increase in going concern reports, and a reduction in financial restatements. These findings imply that auditors reacted to the heightened risk of cybersecurity events by increasing audit effort and substantive testing, therefore preserving or even boosting the quality of audits.

Saeed et al. (2022) studied how corporate social responsibility (CSR) performance effects the demand for high-quality audits, using a sample of organizations from the US, UK, and EU across the 2002-2016 timeframe. The research indicated that organizations with great CSR performance tend to require high-quality audits, as they aim to retain their reputation for ethical conduct, openness, and honesty. This requirement for high-quality audits was constant across diverse locations, governance systems, and endogeneity concerns. The results emphasize that stakeholders have more faith in the financial reports of socially

responsible enterprises, which are viewed as more likely to employ auditors who verify the truth and integrity of their financial statements.

Athavale et al. (2022) evaluated the influence of auditor diversity on audit quality in China, finding a negative link between the variety of signing auditors and audit quality. The research examined several audit quality proxies, including changed audit opinions, restatements, and discretionary accruals. Their investigation found that limiting auditor diversity might increase audit quality. Furthermore, the connection between auditor diversity and audit quality was mitigated by variables such as corporate governance and the characteristics of signing auditors and audit companies, indicating that less variety in auditors may be more favorable to achieving better quality audits.

Alawaqleh (2021) studied the role of the audit committee (AC) in enhancing financial reporting quality (FRQ) in Jordan, after a succession of financial scandals globally. Using a survey of finance managers, audit committee members, and internal audit managers at manufacturing businesses listed on the Amman Stock Exchange (ASE), the research revealed that both audit committee performance and composition positively affected FRQ. The study underlines the relevance of a competent audit committee in promoting company governance and guaranteeing high-quality financial reporting.

Kaawaase et al. (2021) evaluated the association between corporate governance features, internal audit quality, and financial reporting quality in Uganda's financial institutions. The research indicated that board competence and board job performance were strongly connected with increased financial reporting quality, while internal audit quality also had a considerable beneficial influence. However, board independence did not substantially predict financial reporting quality. The research underlines the relevance of board experience and internal audit quality in ensuring credible financial reporting in Uganda's financial institutions.

Alawaqleh (2021) explored numerous factors impacting audit quality, including the association between CEO tenure, CEO duality, board independence, and board size, as well as the influence of controlling variables such as client size, debt leverage, and company complexity. The research examined a sample of 325 financial reports from manufacturing businesses listed on the Amman Stock Exchange throughout the 2014-2018 timeframe, examining the associations by logistic regression. The results demonstrated a negative but

negligible connection between CEO tenure and board independence and audit quality. Additionally, CEO duality was shown to significantly influence audit quality, whereas board size had a statistically significant favorable effect. The controlled factors indicated that client size and leverage debt significantly affected audit quality, but business complexity had a negligible positive connection with audit quality. The research finds that the audit committee's involvement greatly impacts the corporate governance framework, altering external auditors' perceptions on company practices.

Pestovic (2021) focuses on evaluating perceived audit service quality using a formative model, which integrates elements from the SERVQUAL instrument—tangibles, dependability, responsiveness, assurance, and empathy—specifically modified for auditing services. The research featured 123 replies from Serbian enterprises, exploring how these variables affected consumer happiness and loyalty. The findings suggested that all quality characteristics had a substantial beneficial influence on satisfaction, with assurance having the highest impact, followed by responsiveness. Reliability, empathy, and tangibles had significantly lesser impacts. Moreover, audit quality was positively associated to both satisfaction and loyalty, with satisfaction partly moderating the association between quality and loyalty.

Susiani (2021) studied variables impacting audit quality via a research including 39 auditors from public accounting companies in Bandung and Jakarta. Using multiple regression analysis, the research indicated that time budget pressure and quality control systems strongly affected audit quality. Both criteria had a beneficial influence on the quality of audits, demonstrating that auditors' work circumstances and firm-wide mechanisms for guaranteeing quality play a crucial role in sustaining high audit standards.

Phan et al. (2020) evaluated the influence of audit quality on the performance of firms listed on the Hanoi Securities Trading Floor in Vietnam. By analyzing data from 228 organizations using SPSS and Smart PLS software, the research demonstrated a favorable association between audit quality and financial success. It also demonstrated that audit quality positively affected customer loyalty and staff happiness, underscoring the wider advantages of high-quality audits in enhancing corporate results.

Calocha and Herwiyanti (2020) evaluated the influence of auditor experience, professionalism, time budget pressure, audit tenure, and mistake detection expertise on

audit quality in Jakarta's public accounting companies. The research, based on a sample of 89 respondents, indicated that auditor experience and expertise of spotting mistakes had a substantial beneficial influence on audit quality. Although professionalism and time budget pressure had favorable but not significant impacts, audit tenure was inversely associated to audit quality, but this association was not significant.

Amahalu (2020) investigated the influence of audit committee features on the financial performance of listed conglomerates in Nigeria between 2010-2019. The research analyzed panel data from six firms and performed regression analysis. It revealed that audit committee size, independence, and financial knowledge considerably positively influenced return on assets, stressing the necessity of a strong audit committee in increasing financial performance. The report proposes rigorous adherence to the Companies and Allied Matters Act (CAMA) to enable successful audit committee operation.

Rosalina et al. (2020) examined variables impacting students' motivation in pursuing a profession as a public accountant. Using confirmatory factor analysis on data from 80 accounting students at Samudra University, the research indicated that three key factors—intrinsic job value, professionalism, and labor market factors—explained 77.3% of students' career decision. The intrinsic value component, with the greatest eigenvalue, was the most prominent in influencing students' choice to select a public accounting job.

Saliha and Flayyihb (2020) explored how audit quality effects the reduction of external audit profession risks in the setting of Iraq. The report underlined the hazards presented by financial misconduct and weak legislative frameworks controlling the audit profession. Using a descriptive analytical technique and a survey of accounting and auditing professionals, the research indicated that excellent audit quality plays a key role in lowering risks encountered by auditors, assuring accurate and trustworthy financial reporting under adverse circumstances.

Zhang (2020) explored the disruptive influence of current technology breakthroughs, including big data, machine learning, artificial intelligence (AI), and blockchain, on the accounting profession. This paper addresses the development of accounting processes in light of modern technologies, stressing both the problems and potential for accounting professionals and educators. The survey also underlines the increased need for IT experts with accounting expertise, indicating that accounting graduates may need to learn new

skills to keep pace with these technological advances. Additionally, the article analyzes the consequences of these trends on accounting education and how higher education institutions might adjust their curriculum to prepare graduates for the future needs of the industry.

Ratna and Anisykurlillah (2020) studied characteristics impacting auditor skepticism, concentrating on experience, independence, gender, and professional ethics. The research polled 83 auditors from public accounting companies in Central Java and Yogyakarta, utilizing regression analysis and Moderated Regression Analysis (MRA). The data suggested that auditors' experience, gender, and professional ethics strongly affected professional skepticism. However, the research indicated that characteristics like independence and the interplay between experience and professional ethics did not substantially impact skepticism. The study shows the need of cultivating experience and ethical awareness to retain a skeptical stance in auditing.

Hatane et al. (2020) studied how the learning environment and students' attitudes impact their desire to pursue an accounting profession. The research, based on a survey of 503 respondents, uses Partial Least Squares (PLS) as part of Structural Equation Modeling (SEM). The findings demonstrated that a positive attitude toward learning and job choice was impacted by the learning environment, including instructors and peers. Moreover, the increase of present knowledge was shown to moderate the association between attitudes, the learning environment, and the desire to adopt an accounting job. The research indicates the necessity of periodic modifications in the learning environment, including updates to teaching techniques and materials.

Alimbudiono (2020) evaluated the effect of accounting knowledge on the intention to work as a public accountant, using the Theory of Planned Behavior. The research questioned 146 students and showed that accounting knowledge had a strong favorable effect on the ambition to become a public accountant. This impact was both direct and indirect, mediated via attitudes and perceived behavioral control, but subjective norms did not operate as a mediator. The results imply that universities and professional organizations should expand curriculum and internship programs to better prepare students for the profession and create a favorable attitude toward public accounting.

Rustiarini, Yuesti, and Gama (2020) explored how personal characteristics such as goal orientation, self-efficacy, and professional dedication impact auditors' obligation to identify fraud in small accounting businesses. Based on a survey of 86 auditors in Bali, the research indicated that self-efficacy had a mediating effect between goal orientation and auditors' obligation to identify fraud. Professional commitment also moderated this association. The research underlines the necessity for congruence between organizational and professional objectives in small accounting firms to eliminate audit expectation gaps linked to fraud detection.

Khan et al. (2019) studied the influence of board diversity and audit quality on the financial performance of firms listed on the Pakistan Stock Exchange. The research studied nationality and gender diversity on boards, along with audit quality and audit expenses. Findings revealed that female board members positively influenced business performance, whereas nationality diversity had a negative connection with performance, possibly owing to cross-cultural communication challenges. The research also indicated that greater audit prices were related with better quality audits, since they allowed for more comprehensive audits by competent professionals.

Lvungu et al. (2019) analyzed literature on audit quality and firm performance, identifying several approaches to quantify audit quality, including audit firm size, audit tenure, fees, and auditor independence. The review found conflicting conclusions about the association between audit quality and corporate performance. Some research suggested a beneficial association, while others found a negative one. The analysis underscores the need for further quantitative research, especially in the Nigerian business setting, to further examine the link between audit quality and company success.

Otuya (2019) explored the link between auditors' independence and the quality of company financial reporting in Nigeria. Using data from listed manufacturing businesses between 2013 and 2017, the research indicated that audit incentives, tenure, and customer size were positively linked with reporting quality. The research also identified a substantial negative association between audit firm status (e.g., being one of the Big Four) and reporting quality. The research implies that longer auditor tenure and better incentives might promote auditor independence and improve financial reporting accuracy.

Sari et al. (2019) studied the influence of audit tenure, rotation, fees, accounting firm size, and auditor specialty on audit quality using data from manufacturing businesses listed on the Indonesia Stock Exchange between 2015 and 2017. The research indicated that although audit rotation, fees, and firm size did not substantially influence audit quality, audit tenure and auditor specialty had a beneficial effect on audit quality. This shows that consistency and experience in auditors' jobs are vital for sustaining high-quality audits.

Khudhair (2019) emphasized that issues surrounding audit quality and the role of audit committees have garnered significant attention from the auditing profession, the public, and regulatory bodies, particularly following notable corporate scandals involving firms such as Enron, Global Crossing, Tyco, and WorldCom. These worries have led to decreasing investor trust in both local and multinational enterprises. The major purpose of this research is to analyze the effect of internal and external governance mechanisms, including board size, audit committee independence, audit committee expertise, and the frequency of audit committee meetings, on audit quality within chosen organizations. The study, performed on a sample of non-financial enterprises in Iraq, employs a dummy variable to quantify audit quality, giving a value of 1 if the company is audited by one of the Big Five auditing firms, and 0 otherwise. A logit regression approach is applied to evaluate the data. The findings demonstrate a favorable association between audit quality and the percentage of non-executive directors in the audit committee. The results give useful insights for policymakers, academics, accountants, financial specialists, and audit practitioners, helping them understand the major elements that impact audit quality in non-financial enterprises in Iraq.

Hai (2019) performed a research using 267 auditors to analyze aspects such as work rotation, auditor competency, audit fees, motivation, and audit quality. Descriptive statistics, Cronbach's Alpha, Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM) were applied for data analysis. The findings reveal that auditor rotation, auditor competence, and audit fees all effect auditor motivation and audit quality. Specifically, auditor rotation was shown to have the largest effect on both auditor motivation and audit quality. Although audit fees were the most important element, their influence on audit performance and quality was equally considerable. The results offer a scientific basis for auditing businesses to make informed choices targeted at boosting auditor motivation and audit quality.

Sitanggang (2019) studied the association between audit quality and real earnings management in the UK, using a panel fixed-effects technique to adjust for business heterogeneity. The research studied data from UK manufacturing enterprises for the years 2010-2013. Three proxies for actual earnings management and two proxies for audit quality were utilized. The findings imply a negative link between audit fees and abnormal operational cash flows, whereas a positive relationship was discovered between audit fees and abnormal discretionary spending. However, the investigation indicated no significant association between audit quality proxies and aberrant production costs or the actual profits management index. These results give some proof of the association between audit quality and actual profits management and emphasize the possible unexpected implications of greater audit quality levels. The report proposes that monitoring authorities evaluate the larger implications of greater audit quality, since it may induce corporations to adopt potentially value-decreasing profits management strategies.

Mawutor et al. (2019) evaluated variables impacting audit quality in Nepalese firms listed on the Ghana Stock Exchange. The research employed a cross-sectional technique and a linear regression model to analyze the influence of independent factors such as auditor size, the existence of an audit committee, and the logarithm of audit fees on audit quality. The leverage ratio, showing the company's debt-to-asset ratio, was employed as a proxy for audit quality, since high debt levels compared to assets might raise bankruptcy risk. The results reveal that the logarithm of audit fees, the presence of an audit committee, and auditor size greatly impact the leverage ratio and, by extension, audit quality. The size of the audit firm was shown to have a negative influence on audit quality, while the lack of an audit committee was connected to inferior audit quality. The logarithm of audit fees was positively related with audit quality. The report advises regulating audit fees via the Institute of Chartered Accountants Ghana (ICAG) and taking action against businesses that do not conform to auditing standards or participate in financial misstatements.

Tarmidi (2019) studied investor responses to financial performance information and audit quality, using a 2x2 study design that paired financial performance with audit quality. The study explored how investors react to various combinations of financial performance and audit quality: high financial performance with high audit quality, high financial performance with low audit quality, low financial performance with high audit quality, and low financial performance with low audit quality. The findings suggested that investors

respond unfavorably when a firm has good financial performance but bad audit quality, indicating that investors are apprehensive of companies with excellent performance that may be weakened by doubtful audit quality.

Alsmairat (2019) analyzed audit quality concerns in the Jordanian financial industry and the policies required to enhance auditing standards. The research focused on two main factors: audit tenure (AT) and audit firm size (AFZ), and intended to analyze their influence on audit quality. Data were acquired by questionnaires issued to 200 Jordanian auditors and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The results demonstrate a positive and substantial link between both audit tenure and audit firm size with audit quality, indicating that longer audit tenures and bigger audit firms lead to improved audit quality in Jordan.

Baldavoo and Nomlala (2019) undertook a research in response to the recent corporate scandals that have raised concerns about audit quality and its influence on company value. The research especially studied how corporate governance moderates the link between audit quality and business value. Using the annual reports of 36 Ghanaian banks from 2010 to 2017, the authors utilized a random-effects regression model to investigate the associations. The results demonstrated a favorable effect of audit quality on business value, showing that companies using Big 4 audit firms see a rise in value. Furthermore, the existence of efficient corporate governance increases the link between audit quality and business value, with corporate governance functioning as an essential moderator in this context.

Elbayoumi, Awadallah, and Basuony (2019) studied the environmental variables impacting the accounting and auditing profession, notably in Egypt as a growing industry. The research analyzes elements such as current laws, regulations, cultural and religious beliefs, economic and political situations, financial markets, and privatization plans that impact the development and practice of accounting and auditing in Egypt. The authors claim that these elements have a crucial impact in influencing the profession's development. Egypt was picked owing of its expanding economy, which gives several investment prospects. The research indicates that political, economic, institutional, legal, and cultural variables greatly contribute to the growth of the accounting and auditing profession, with privatization changes notably impacting financial reporting rules and corporate governance policies.

Eulerich, Kremin, and Wood (2019) studied the importance of the internal audit function (IAF) as a fundamental aspect of high-quality corporate governance. The research focuses on how the head of internal audit considers the executive management team and the audit committee in regard to the usage of the IAF's work. Using logistic regression models based on data from chief audit executives (CAEs), the research discovered numerous parameters impacting the amount to which both senior management and audit committees depend on the IAF's findings. The findings demonstrate that distinct variables are significant to each category. For example, whereas audit committees are especially interested in risk management reports, senior management is more focused on internal control reports, depending on whether the IAF's job focuses on assurance or consulting.

Del Pazo-Antunez (2018) explored the influence of work demands on the occupational health of professional accountants and the moderating function of internal and external resources, such as locus of control and social support. The research employed neural network models, utilizing the Extreme Learning Machine method, to examine the association between stress variables and accountants' health. The findings indicated that some pressures adversely impair accountants' health and performance. Furthermore, the acknowledgment of superiors in connection to occupational health was demonstrated to have a direct influence. The research also underlined the impact of professional growth and outstanding support in reducing the effects of occupational pressures on health.

Li, Gershberg, and Vasarhelyi (2018) focused on the adoption and implementation of audit analytics in the internal audit process. Despite rising awareness of the usefulness of audit analytics, past research has revealed underuse of these technologies. Using the Technology-Organization-Environment (TOE) paradigm, the research studied organizational-level variables that impact the post-adoption use of audit analytics and its effect on internal audit performance. The findings suggested that management support, technical competence, and standards affect application-level use, whereas professional assistance and technological competence drive feature-level utilization. Both application and feature-level adoption of audit analytics were shown to boost internal audit performance.

Bekoe et al. (2018) evaluated the views of business students regarding the accounting profession and their desire to obtain a degree in accounting. Using a self-administered survey, data were obtained from 457 students at the University of Ghana Business School (UGBS). Binary logistic regression analysis was utilized to examine the data. The results

demonstrated that intrinsic interest in accounting, previous exposure to the topic at the senior high school level, and the ambition to acquire professional accounting credentials were important predictors of students' intention to major in accounting. Additionally, family members, course teachers, and other significant organizations had a crucial impact in molding students' career goals in accounting. The research offers significant information for professional accountancy organizations and business educators working to overcome the skills gap in the accounting profession.

Yang, Brink, and Wier (2018) identified emotional intelligence (EI) as a crucial element in handling emotions and demands in an audit scenario. The research focused on how EI could impact the link between work pressures—such as time budget pressure and customer pressure—and auditors' conclusions. The findings suggested that EI moderates the impact of these pressures, lowering auditors' predisposition to participate in dysfunctional conduct and boosting audit quality. The research identifies EI as a crucial mechanism that helps auditors handle the obstacles of high-pressure workplaces, eventually boosting their judgment and the quality of their audits.

Mardijuwono and Subianto (2018) studied the association between auditor independence, professionalism, and skepticism with audit quality. The research entailed delivering questionnaires to auditors working at KAP Surabaya and Sidoarjo. The population comprised of all auditors in KAP 45 Surabaya and KAP 1 Sidoarjo. Hypothesis testing was done using Partial Least Squares (PLS) using SmartPLS software version 3.0. The data demonstrated that although auditor independence is positively associated to audit quality, the connection was not significant. However, auditor professionalism demonstrated a positive and substantial association with audit quality, and auditor skepticism also favorably and considerably influenced audit quality.

Ismail and Yuhanis (2018) explored variables impacting ethical work behavior among public-sector auditors in Malaysia. Using the Hunt and Vitell model, the research studied the influence of ethical atmosphere, professional dedication, corporate ethical values (CEV), and ethical ideology on the ethical work behavior of auditors. Data was acquired via a survey of 382 auditors from the National Audit Department in Malaysia. Multiple regression analysis demonstrated that ethical work behavior was impacted by the ethical atmosphere connected to legality and independence, professional dedication, CEV, and both idealism and relativism in ethical philosophy.

Stancheva-Todorova (2018) emphasized the tremendous changes brought about by technology breakthroughs, notably artificial intelligence, which have transformed several areas, including accounting. The research emphasized the discussion around the future of the accounting profession in the context of AI. While proponents consider AI as a step forward, detractors fear that many accountants may fail to adapt, leading to a reduction in their importance. The article addresses the issues confronting the profession and considers future trends in the evolution of accounting positions in the AI age, concentrating on the implications for accounting education and the skills necessary for the future.

Robinson, Curtis, and Robertson (2018) explored the function of professional skepticism (PS) in auditing, stressing the contrast between trait and state PS. The research suggested a new measure for state PS and verified it via rigorous studies. The findings proved the convergent and divergent validity of this measure using data from both experts and students. The study reproduced Hurtt's (2010) trait PS scale, providing future researchers with a method to quantify state PS in multiple experimental scenarios.

Tiron-Tudor and Faragalla (2018) studied gender-related difficulties in the accounting profession, especially regarding career trajectories and the variables affecting these decisions. The research found impediments such as prejudice, parenthood, the glass ceiling, double standards, and lack of visibility that impact women's career growth in accounting.

Dowling, Knechel, and Moroney (2018) applied the slippery-slope paradigm to examine how a regulator's enforcement approach influences audit firm compliance. Their research, based on interviews with audit regulators and audit partners, indicated that the move from a collaborative to a coercive enforcement approach impeded trust growth between regulators and corporations. Audit partners indicated that this transition produced a compliance-focused atmosphere, pushing organizations to emphasize limiting inspection risks rather than boosting audit quality.

Broberg et al. (2017) emphasized the difficulty in determining audit quality owing to the different elements impacting it. The research analyzed contemporary literature on audit quality characteristics such as auditor size, industry competence, auditor tenure, audit fees, and auditor reputation. It determined that these variables greatly affect audit quality and may interact in ways that influence the overall quality of audits.

Lee et al. (2016) studied how professional growth and self-efficacy impact auditor performance. The research, which examined 50% of Taiwan's governmental auditors using stratified random sampling, concluded that experience and professionalization significantly enhance auditors' professional awareness and judgment. Furthermore, it showed the critical significance of professional growth and self-efficacy in increasing audit quality. The report advised that audit authority concentrate on feedback, learning, and career development to retain auditors.

Sulanjaku and Shingjergji (2015) studied the consequences of the financial crisis and the need to reestablish faith in financial information. They focused on internal and external variables impacting audit quality in Albania, including audit firm culture, management quality, audit committees, and political and cultural concerns. Their analysis stressed the implementation of international auditing standards and quality control procedures as vital for enhancing audit quality in Albania.

Al-Farah, Abbadi, and Al Shaar (2015) evaluated the historical history of the accounting and auditing profession in Jordan, evaluating the social, economic, and political elements that have shaped the profession. The research analyzed the growth of accounting and auditing methods in Jordan, noting that the government followed the Anglo-American model and is today dedicated to international financial reporting and auditing standards.

Rahmina and Agoes (2014) evaluated the influence of auditor independence, audit tenure, and audit fees on audit quality in Indonesia. The research obtained primary data from senior auditors, supervisors, managers, and partners in businesses listed in the Capital Market Accountant Forum. The findings demonstrated that auditor independence, tenure, and fees favorably impact audit quality. The report also proposed that regulatory organizations should create Independent Audit Review Boards and adhere to the IFAC Code of Ethics for mandated rotation of audit partners.

Chen et al. (2013) evaluated the association between audit quality, audit firm size, and financial performance. The research demonstrated a favorable correlation between audit firm size and audit quality across national, regional, and local audit companies. Furthermore, the association between audit quality and financial success was greater for national enterprises compared to regional and local firms.

### 2.3.2 Articles Reviews in Nepalese Context

Shrestha and Shrestha (2021) performed a research to investigate the parameters impacting audit quality in Nepalese firms. The study included a survey of Nepalese auditors, and data was examined by regression analysis. The findings indicated that auditor independence is a critical element in determining audit quality in Nepal. Auditors who are free from conflicts of interest and preserve independence in their decision-making processes are more likely to produce high-quality audits. Additionally, auditor skill and experience were shown to substantially affect audit quality. Auditors with specific expertise and considerable experience are better suited to detect and manage risks, hence assuring higher-quality audits. The research also underlined the significance of frequent training and professional development in boosting audit quality, since it helps auditors to consistently enhance their skills and knowledge. Furthermore, access to proper audit resources and technology was determined to be critical, since auditors with the newest tools and resources are better equipped to handle risks and sustain audit quality. The research indicated that strengthening auditor independence, knowledge, experience, training, resources, and technology may lead to enhanced audit quality in Nepal.

Panta (2020) did study to analyze the elements impacting audit quality in Nepal. The research, based on empirical data, includes a survey of Nepalese auditors, with regression analysis applied to identify significant characteristics determining audit quality. The findings demonstrated that auditor independence is essential in determining audit quality in Nepal, with independent auditors being more likely to offer higher-quality audits. The research also indicated that professional judgment, skepticism, experience, audit technique, and technology play key roles in impacting audit quality. Auditors that have the capacity to make educated and impartial conclusions, stay cautious of spurious material, possess greater experience, follow systematic audit techniques, and have access to modern technology are more likely to perform excellent audits. The research indicated that increasing these criteria will boost audit quality in Nepal.

Poudel and Shrestha (2018) explored variables impacting audit quality in Nepalese companies. The research, based on a survey of auditors from different companies in Nepal, indicated that audit quality is favorably connected with audit experience, firm size, auditor tenure, and audit fees, while it is adversely related to the number of audit clients. The research also demonstrated that audit quality is positively linked with auditors' evaluations

of their firm's adherence to ethical standards and independence. The results are relevant for regulators, auditors, and politicians in Nepal when formulating audit standards and legislation.

Shrestha and Adhikari (2018) studied the parameters determining audit quality in Nepal. Data for the research were acquired via a survey of Nepalese auditors, and regression analysis was conducted to establish the important determinants determining audit quality. The findings suggested that auditor independence is critical for high-quality audits in Nepal, with independent auditors more likely to conduct better audits. Auditor experience and expertise were also shown to have a major influence, since auditors with higher experience and specialized knowledge are better capable of recognizing and managing risks. Furthermore, auditors who participate in regular training and professional development tend to produce higher-quality audits owing to the advancement of their skills and expertise. The research also stressed the relevance of access to suitable audit resources and technology in determining audit quality, as well as the adoption of organized and systematic audit procedures, which were shown to substantially affect audit quality in Nepal.

### 2.4 Research Gap

Despite the fact that, there are various studies on audit related research activity globally, the emphasis of those studies was on auditors' performance, perspective and quality of audit system. However, this research primarily examines the elements impacting the quality of audit solely. Though there are plentiful element that effects the auditee quality the research is only focusing on audit experience, auditor professionalism, time budget strain, audit tenure and expertise of identifying mistake as independent variable and audit quality as dependent factors. The study has adopted the descriptive and causal comparative research design with the sample size of four hundred auditors. However, in prior research like Baldayoo and Nomlala (2019) used random effect model with 4 companies. Similarly, Baldayoo and Nomlala (2019) did secondary and primary research concurrently but this study is exclusively focussed on primary data. Thus, to reach different outcome this research is necessary to be done nationwide.

# CHAPTER-III
# RESEARCH METHODOLOGY

## 3.1 Research Methodology

As the name suggests, research is the investigation or study of a phenomena. Finding or looking into something in a scientific way is a recurring activity. By identifying and redefining issues, gathering, organizing, and analyzing data, as well as drawing deductions and conclusions to evaluate whether they support the hypothesis, it aims to learn the truth about non-performing assets and relationships (Adhikari, 2018).

## 3.2 Research Design

Descriptive and causal comparative research designs were used in the study's creation. Cooper and Schindler (2003) state that a descriptive research aims to determine the what, where, and how of a phenomena. Because the researcher wanted to gather comprehensive data via descriptions that are helpful for identifying variables and hypothetical constructions, this technique has proven acceptable for this study. Additionally, the impact of the variables influencing audit quality has been examined using a causal comparative study design technique.

## 3.3 Population and Sample

The study's population consists of all auditing businesses and organizations that have been founded in the Kathmandu Valley. The population range is wide as a result. The 400 auditors who were chosen as a sample for this research were simply evaluated and given the questionnaires since the sample represents a subset of the population. Online surveys have been used to gather data using the convenience sampling approach. Audit firms that were concerned about obtaining questionnaires during the study included T R Upadhya & Co., S R Pandey, A.B. & Company, BRS Neupane and Company, Pandey & Co. Samakhusi, Taxation International Nepal (Pvt.) Ltd., PwC Nepal, Deloitte Nepal, Ernst & Young (EY) Nepal, KPMG Nepal, BDO Nepal, Baker Tilly Nepal, Grant Thornton Nepal, EYGBS (Nepal) Private Limited, BK Keshar & Associates, and Shree & Associates. A popular statistical technique for calculating the optimal sample size based on the expected

percentage of the population, the desired degree of accuracy, and the confidence level is the Cochran formula. According to Cochran (1977), the formula is: $n_0=Z^2 \cdot p \cdot (1-p)/ e^2$
For a 95% confidence level (Z = 1.96), maximum variability (p = 0.5), and a 5% margin of error (e = 0.05):
$n0= (1.96)^2 \cdot 0.5 \cdot (1-0.5)/ (0.05)^2$
Thus, the sample size is approximately 384.

The more than 500 questionnaire were distributed however, 400 auditors responded through online. Thus, the study is based on 400 sample though the requirement was 384. Thus the sample size for the study is 400.

**Sampling Method**

This study includes all kinds of auditors working in the Kathmandu Valley, however not all of them are accessible or able to be evaluated. As a result, the auditors who are accessible and readily evaluated are asked to complete questionnaires. Convenience sampling is thus used while conducting the research.

### 3.4 Nature and Source of Data

Data has been collected from original sources in order to meet the study's particular goal. Questionnaires, interviews, and observation are the main sources of data. The questionnaire approach was used in this research in order to achieve the intended outcome. This has made it easier to see how other people have defined and quantified important ideas, as well as their conclusions and the data sources they have consulted. Utilizing these resources has also made it easier to find pertinent material and shown the connections between our study effort and other studies. Questionnaires have been used to gather the main data. Google Forms was used to disseminate the surveys, and respondents were also met in person. Five-point Likert scale questions, which range from 1-strongly agree to 5-strongly disagree, have been used to simplify the qualitative data obtained using Google forms for interpretation and result generation. The appendix contains the questionnaire that was utilized for the investigation.

### 3.5 Reliability

Cronbach alpha is a well-known method for measuring reliability, and the questionnaire that was created after examining the literature has been good to continue or not. Cavana et

al. (2001) state that a Cronbach alpha value of 0.70 or above is regarded as satisfactory and acceptable.

**Table 3.1: Reliability analysis**

| Reliability Statistics | |
|---|---|
| Cronbach's Alpha | N of Items |
| .809 | 30 |

The reliability test is shown in table 3.1. The main conclusion is that there are 30 items and the Cronbach's Alpha is.809. Given that Cronbach's Alpha (.809) values greater than.7 are often regarded as trustworthy, this result suggests that the measure has excellent reliability. Consequently, it may be said that the measure is accurate in assessing the desired construct.

### 3.6 Methods of Analysis

Before the replies were processed, data was gathered, and the completed surveys were reviewed for accuracy and consistency. Both a descriptive and content analysis were used. The opinions of the respondents were examined using content analysis. After then, the data was coded so that the replies could be categorized. For ease of comprehension and analysis, the gathered data was also presented using tables and other graphical representations as needed.

The data was analyzed using the Statistical Package for Social Sciences (SPSS). Using inferential statistics, the relationship between the dependent and independent variables was examined using Pearson correlation, which has a range of $-1< r<+1$, inclusive, from negative to positive. Frequencies, descriptive statistics for mean values, and statistical tests of significance such regression analysis, t-test, F-test, and adjusted R2 were among the methods used to arrive at the conclusions. The prediction factor of the dependent variable induced by independent factors was also ascertained using the multiple regression equation.

#### 3.6.1 Mean

A given set of observations' arithmetic mean is calculated by dividing its sum by its total number of observations. A number that reflects a collection of values is called a mean. The traits of the whole group are shown (Sharma & Chaudhary, 2008). The average value often falls between the two extremes, or the biggest and smallest objects.

### 3.6.2 Weighted Average Mean

Similar to an ordinary arithmetic mean, which is the most often used kind of average, the weighted arithmetic mean differs in that some data points contribute more to the final average than others do (Sharma & Chaudhary, 2008). Descriptive statistics uses the concept of weighted mean, which also appears in a more generic version in a number of other mathematical fields.

### 3.6.3 Standard Deviation

The standard deviation is an absolute measure of dispersion that eliminates the limitations of other dispersion metrics. The large standard deviation is reflected in the significant degree of dispersion. A series' homogeneity and the degree of uniformity of the observations are both indicated by modest standard deviations, and vice versa. The high degree of homogeneity of the observation is shown by the modest standard deviation (Sharma & Chaudhary, 2008). It is computed for the chosen independent and dependent variables. It is the mean squared departure from the arithmetic mean expressed as a positive square root.

### 3.6.4 Coefficient of Correlation (r)

The intensity and direction of the link between two variables are provided by the coefficient. Pearson's correlation coefficient was used in this research to quantitatively quantify the degree of relationship between each pair of variables. Pearson's correlation coefficient, which ranges from -1 to +1 in statistics, quantifies the linear connection between two variables. A value of 1 indicates a complete positive correlation, a value of 0 indicates no correlation, and a value of -1 indicates a whole negative correlation.

Correlation analysis includes methods and strategies for examining and quantifying the degree of the link between the two variables. Bivariate Parsons' correlation statistical tools have been used to determine the relationship between variables. The following formula is used to calculate the coefficient of correlation, or r:

If $r = 0$, then there is no correlation between variables.
If $r > 0$, then there is positive correlation between variables.
If $r < 0$, then there is negative relation between variables.

### 3.6.5 Regression Analysis

A statistical method for estimating unknown values or forecasting one variable based on the known values of other variables is regression. It is an essential tool for data analysis and is used extensively in a number of disciplines, including the social sciences, marketing, finance, and economics. Regression analysis's main objective is to identify the kind and degree of the connection between variables so that predictions and decisions may be made with knowledge.

The examination of the connection between two variables at a time is the main goal of simple regression, a subset of regression analysis. One independent variable—also referred to as a predictor, regressor, or explanatory variable—and one dependent variable—also called the regressed or explained variable—are involved. The dependent variable's unknown value is estimated or predicted using the independent variable, which has a known value. A linear equation, which simulates how changes in the independent variable affect the dependent variable, is often used to explain this connection (Sharma & Chaudhary, 2008).

Regression analysis revolves on the idea of regression lines. To show the connection between the two variables under analysis, a regression line is a line fitted to a collection of data points. The expected values of the dependent variable for different levels of the independent variable are shown by this line. Using the least squares approach, which minimizes the sum of the squared differences between the values predicted by the regression line and the actual values, the "line of best fit" is identified. This ensures that the line provides the most accurate prediction of the dependent variable based on the given data.

The regression line is a useful tool for analyzing data connections because it offers a framework for prediction in addition to quantifying the relationship's strength and direction. The regression line provides the best estimate of the associated value of the dependent variable for every given value of the independent variable. When anticipating or making decisions based on observable or past data is necessary, this capacity is quite helpful.

Multiple Regression Model,

$$AQ = \beta_0 + AE\beta_1 + AP\beta_2 + TBP\beta_3 + AT\beta_4 + KODE\beta_5 + ej$$

Where,

AQ = Audit Quality

$\beta_0$ = Intercept of the dependent variable (constant value)

$\beta_1, \beta_2, \beta_3, \beta_5, \beta_5$ = Beta coefficients of independent variables

AE = Audit Experience

AP = Audit Professionalism

TBP = Time Budget Pressure

AT = Audit Tenure

KODE = Knowledge of Detecting Errors

ej = Error Terms

### 3.7 Research Framework and Definitions of Variables

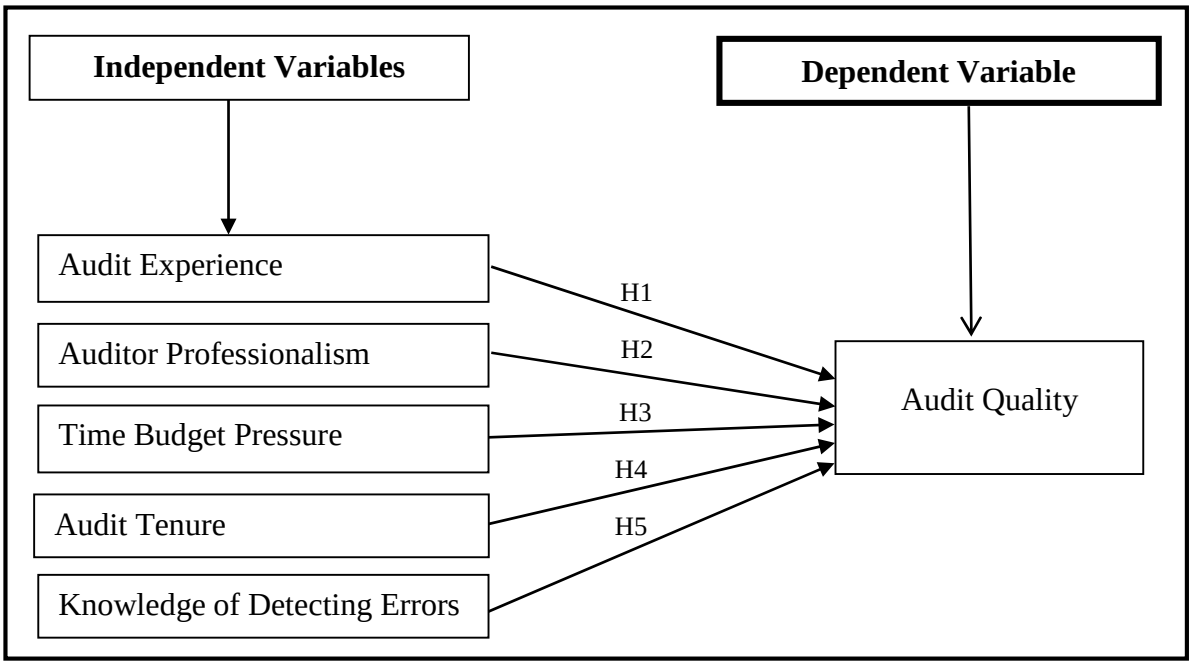


*Figure 3.1:* Research Framework

#### 3.7.1 Audit Experience

One essential need for being a qualified external auditor is audit experience. When on duty, external auditors with enough expertise will be able to handle the circumstances in the client business location. Skilled outside auditors may effectively reduce mistakes or stop unintentional audit failures (Calocha & Herwiyanti, 2020).

### 3.7.2 Auditors Professionalism

According to Mulyadi (2013), audit quality is significantly improved by auditor professionalism. In order to provide accurate and high-quality audits, auditor professionalism is implicitly a must. To ensure that the audit report is impartial, each professional external auditor has the skills and expertise required to reduce audit mistakes and identify significant misstatements in the client company's financial statements. Accordingly, the quality of the audit produced by an external auditor increases with their level of professionalism (Calocha & Herwiyanti, 2020).

### 3.7.3 Time Budget Pressure

For every external auditor, time availability is essential for obtaining audit evidence and identifying financial statement errors in clients. The more time pressure there is, the more stress the auditor has, which forces them to cut down on audit methods. Poor audit quality will arise if the audit methods deviate from the predetermined plan (Calocha & Herwiyanti, 2020).

### 3.7.4 Audit Tenure

According to Kurniasih and Rohman (2014), audit tenure significantly degrades audit quality. According to research by Panjaitan and Chariri (2014), audit tenure significantly degrades audit quality. According to Calocha and Herwiyanti (2020), in order to produce high-quality audit results, each external auditor must be professional based on their experience in understanding how to act toward client companies in accordance with the fundamentals of the code of ethics, the professional standards of public accountants, and applicable laws.

### 3.7.5 Knowledge of Detecting Errors

Hilman et al. (2015) demonstrate how audit quality is impacted by one's ability to identify audits. These results suggest that audit quality is influenced by the ability to identify mistakes. Error detection skills are beneficial because they can facilitate the disclosure of misstatements by external auditors through precise materiality considerations of the client company's financial statements, resulting in a high-quality audit report that satisfies the requirement of objectivity. This demonstrates how audit quality is impacted by the ability to identify problems (Calocha & Herwiyanti, 2020).

### 3.7.6 Audit Quality

Indicators of audit quality are essential standards for assessing the dependability and efficiency of the audit procedure. These metrics demonstrate the auditor's capacity to do exhaustive and precise evaluations of financial statements while abiding by industry norms. The identification of misstatements, which shows the auditor's ability to spot errors or fraud in financial reports, is one of the key indications. Standard operating procedures (SOPs) and Standar Profesional Akuntan Publik (SPAP) compliance guarantee that audits are carried out methodically and morally, according to set standards to preserve consistency and credibility. Furthermore, a key element of high-quality audits is the efficient management of audit risk, which reduces the possibility of expressing incorrect conclusions on significantly misstated financial accounts.

Furthermore, the use of prudential principles, which emphasize prudence and good judgment throughout the audit process, has an impact on audit quality. Effective management of major risks and adherence to standards are ensured by supervisory supervision, which includes senior people conducting quality control evaluations. By contributing knowledge to complicated problems, guaranteeing enough resources are directed to essential areas, and promoting responsibility, managers' or partners' active engagement improves the quality of audits. When combined, these metrics provide a framework for assessing and enhancing audit procedures, guaranteeing that financial statements appropriately depict an organization's financial status and adhere to legal requirements (Calocha & Herwiyanti, 2020).

# CHAPTER-IV
# RESULTS AND DISCUSSION

In order to address a number of concerns related to the elements influencing the audit quality, this chapter offers a methodical presentation, interpretation, and analysis of primary data. Presenting the findings of the questionnaire survey and analyzing and interpreting the data gathered throughout the research are the goals of this chapter. There are three parts in this chapter. The presentation and analysis of primary data are covered in the first chapter. Regression model analysis, including correlation analysis, is covered in the second part. Concluding observations related to the findings from the primary data are included in the third part of this chapter.

## 4.1 Results

The primary data used in this research mostly addresses qualitative elements of the variables influencing the quality of the audit. The basic data gathered from the questionnaire survey given to various auditors is analyzed and presented in this part. The purpose of the questionnaire survey was to learn what respondents thought about the elements influencing the quality of the audit. Personal information, yes/no questions, closed-ended multiple-choice, and five-point Likert scale items are all included in the surveys. To properly analyze the data, the percentage, frequency, and mean value have been computed.

### 4.1.1 Frequency Analysis

The profiles of the respondents (auditors) include information on their personal traits according to their gender, age group, marital status, level of education, and employment history. A common foundation for comprehending the conduct and traits of auditors is the demographic parameters.

**Table 4.1: Distribution by Marital Status**

| Marital Status | Frequency | Percent (%) |
|---|---|---|
| Married | 195 | 48.75 |
| Unmarried | 205 | 51.25 |
| Total | 400 | 100.0 |

Source: Survey, 2024

The frequency of auditors' marital status is shown in Table 4.1. It is discovered that most unmarried auditors have taken part in the survey. The survey included 51.3 percent of unmarried auditors and 48.7 percent of married auditors.

**Table 4.2: Distribution by Age Category**

| Age Category | Frequency | Percent (%) |
|---|---|---|
| 21-30 | 203 | 50.75 |
| 31-40 | 117 | 29.25 |
| Above 40 | 80 | 20.00 |
| Total | 400 | 100.0 |

Source: Survey, 2024

The age distribution of auditors is seen in Table 4.2. The majority of participants in the research were found to be young people. Twenty percent of auditors over 40, 29.3 percent of auditors between the ages of 31 and 40, and 50.7% of auditors between the ages of 21 and 30 participated in the survey.

**Table 4.3: Distribution by Education Status**

| Education Status | Frequency | Percent (%) |
|---|---|---|
| Bachelor Level | 85 | 21.25 |
| Masters and Above | 315 | 78.75 |
| Total | 400 | 100.0 |

Source: Survey, 2024

The frequency of auditors' educational attainment is seen in Table 4.3. The majority of auditors have earned master's degrees or above. 78.7 percent of auditors have earned a master's degree or above, while 21.3 percent have a bachelor's degree.

**Table 4.4: Distribution by Work Experience**

| Work Experience | Frequency | Percent (%) |
|---|---|---|
| 0-4 Years | 179 | 44.75 |
| 4-8 Years | 120 | 30.00 |
| Above 8 Years | 101 | 25.25 |
| Total | 400 | 100.0 |

Source: Survey, 2024

The frequency of auditors' job experience is seen in Table 4.4. It is discovered that the research included auditors with 0–4 years of job experience. Twenty-five percent of

auditors have worked for eight years, thirty percent have worked for four to eight years, and forty-seven percent have worked for zero to four years.

### 4.1.2 Descriptive Analysis

Descriptive statistical methods including mean, standard deviation, and weighted average mean for all variables have been covered in this phase of the research. To achieve the study's goal, the opinions of all 400 respondents about the factors were obtained and discussed in a table. A 5-point Likert scale, with 1 denoting extreme dissatisfaction and 5 denoting extreme satisfaction, serves as the basis for the surveys. Five indicates "strongly satisfied," four indicates "satisfied," three indicates "neutral," two indicates "dissatisfied," and one indicates "strongly dissatisfied."

Additionally, the dependent variable, audit quality, has a 5-point Likert scale with various items that are displayed in tables and described using statistical tools like mean, standard deviation, weighted mean, and weighted standard deviation of independent variables like audit tenure, audit experience, auditor professionalism, time budget pressure, and error detection knowledge.

**Descriptive Statistic for Audit Experience**

This table 4.5 shows the descriptive statistic of audit experience regarding different items. The statement based on reliability is measured in five Likert scales 1 as strongly dissatisfied, 2 as dissatisfied, 3 as neutral, 4 as satisfied and 5 as strongly satisfied.

**Table 4.5: Descriptive Statistic for Audit Experience**

| Items | Mean | SD |
|---|---|---|
| I have good experience in audition. | 4.93 | .309 |
| I prepare audit reports within the time frame | 4.70 | .502 |
| I have depth knowledge in general accepted accounting principles | 4.77 | .494 |
| I solve financial issues accurately | 4.69 | .507 |
| I have good understanding about software used for audit | 4.49 | .621 |
| Weighted Average Mean Score | 4.72 | .49 |

The respondents' perceived evaluation of the audit experience is shown in Table 4.5. The dimension of audit experience was questioned of the respondents. The average of every

assertion is greater than 3. The statement "I have good understanding about software used for audit" has the lowest mean (4.49 with standard deviation.621) among the five, while "I have good experience in audition" has the greatest mean (4.93 with standard deviation.309).

The average score for each statement falls between 4.93 and 4.49, indicating that the auditors' answers to the given Likert scale item are consistent. All audit experience statements have an average mean of 3.47 and a standard deviation of 0.49. It shows that the average score is higher than three, indicating that the audit experience is regarded as excellent and good.

**Descriptive Statistic for Audit Professionalism**

This table 4.6 shows the descriptive statistic of audit professionalism regarding different items. The statement based on audit professionalism is measured in five Likert scales 1 as strongly dissatisfied, 2 as dissatisfied, 3 as neutral, 4 as satisfied and 5 as strongly satisfied.

**Table 4.6: Descriptive Statistic for Audit Professionalism**

| Items | Mean | SD |
|---|---|---|
| I maintain public trust in the quality of investigation in preventing fraud | 4.79 | .453 |
| I do submit audit reports in NFRS as per the standard required | 4.57 | .560 |
| I perform my duties with high performance | 4.73 | .487 |
| I have ethics in auditing task | 4.54 | .551 |
| I show compassions to customers while auditing | 4.38 | .620 |
| Weighted Average Mean Score | 4.60 | .53 |

The respondents' perceived assessment of audit professionalism is shown in Table 4.6. The component of audit professionalism was questioned of the respondents. The average of every assertion is greater than 3. The statement that has the greatest mean among the five is "I maintain public trust in the quality of investigation in preventing fraud," with a standard deviation of 4.79.

The statement that has the lowest mean, "I show compassions to customers while auditing," has a standard deviation of.620. The average score for each statement falls between 4.79 and 4.38, indicating that the auditors' answers to the given Likert scale item are consistent. All audit professionalism statements have an average mean of 4.60 and a standard deviation

of 0.53. It shows that the average score is higher than three, indicating that audit professionalism is regarded as adequate and good.

**Descriptive Statistic for Time Budget Pressure**

This table 4.7 shows the descriptive statistic of time budget pressure regarding different items. The statement based on time budget pressure is measured in five Likert scales 1 as strongly dissatisfied, 2 as dissatisfied, 3 as neutral, 4 as satisfied and 5 as strongly satisfied.

**Table 4.7: Descriptive Statistic for Time Budget Pressure**

| Items | Mean | SD |
|---|---|---|
| I have been allocated sufficient time for auditing | 3.52 | 1.097 |
| My organization accomplish the audit task within time frame | 4.45 | .640 |
| The time budget in my organization is dynamic | 4.33 | .587 |
| Analyzing financial reports takes time | 4.53 | .598 |
| Preparing audit reports quarterly is time consuming | 4.37 | .572 |
| Weighted Average Mean Score | 4.30 | .70 |

The respondents' perceived ratings of time budget strain are shown in Table 4.7. Questions about the time budget pressure component were posed to the respondents. The average of every assertion is greater than 3. The statement "The time budget in my organization is dynamic" has the lowest mean (4.33 with a standard deviation of.587) among the five, while the statement "Analyzing financial reports takes time" has the highest mean (4.53 with a standard deviation of.598).

The average score for each statement falls between 4.53 and 4.33, indicating that the auditors' answers to the given Likert scale item are consistent. All time budget pressure statements have an average mean of 4.30 and a standard deviation of 0.70. The average score is more than three, indicating that time budget pressure is seen as excellent and good.

**Descriptive Statistic for Audit Tenure**

This table 4.8 shows the descriptive statistic of audit tenure regarding different items. The statement based on audit tenure is measured in five Likert scales 1 as strongly dissatisfied, 2 as dissatisfied, 3 as neutral, 4 as satisfied and 5 as strongly satisfied.

**Table 4.8: Descriptive Statistic for Audit Tenure**

| Items | Mean | SD |
|---|---|---|
| I politely deal with the client | 4.62 | .682 |
| I appreciate the opinions provided by clients | 4.50 | .576 |
| The report should be transparent and consistent between audios and clients | 4.59 | .614 |
| I am satisfied with the client behavior | 3.97 | .723 |
| I can cooperate with the same organization for a long time | 4.44 | .585 |
| Weighted Average Mean Score | 4.42 | .64 |

The respondents' perceived rate of audit tenure is shown in Table 4.8. The audit tenure component was a question posed to the respondents. The average of every assertion is greater than 3. With a standard deviation of.682, the statement "I deal with the client politely" has the highest mean of the five, at 4.62, while the statement "I am satisfied with the client behavior" has the lowest, at 3.97.723. All of the assertions have mean values between 4.62 and 3.97, indicating that the auditors' answers to the given Likert scale item are consistent. All audit tenure statements had an average mean of 4.42 and a standard deviation of 0.64. It shows that the average score is higher than three, indicating that the audit tenure is seen as excellent and good.

**Descriptive Statistic for Knowledge of Detecting Errors**

The descriptive statistic of knowledge of mistake detection for various objects is shown in table 4.9. Five Likert scales—1 being very unhappy, 2 being unsatisfied, 3 being neutral, 4 being pleased, and 5 being strongly satisfied—are used to rate the statement based on knowledge of spotting faults.

**Table 4.9: Descriptive Statistic for Knowledge of Detecting Errors**

| Items | Mean | SD |
|---|---|---|
| I can well detect the error while auditing | 4.84 | .403 |
| I can rectify the errors made by mistake | 4.50 | .610 |
| I have good knowledge in understanding and fetching data from annual reports | 4.65 | .567 |
| Insufficient documents cause more errors | 4.51 | .540 |
| Unbalanced financial reports make mostly errors | 4.46 | .539 |
| Weighted Average Mean Score | 4.59 | .53 |

The respondents' perceived evaluation of their understanding of error detection is shown in Table 4.9. The respondents were questioned on their understanding of the dimension of mistake detection. The average of every assertion is greater than 3. Out of the five assertions, the one that has the greatest mean (4.84) and standard deviation (.403) is "I can detect errors during auditing," while the one that has the lowest mean (4.46) and standard deviation (.539) is "Unbalanced financial reports make most errors."

The average score for each statement falls between 4.84 and 4.46, indicating that the auditors' answers to the given Likert scale item are consistent. All claims of knowledge about mistake detection have an average mean of 4.59 and a standard deviation of 0.53. The average score is more than three, indicating that the ability to identify faults is regarded as competent and adequate.

**Descriptive Statistic for Audit Quality**

This table 4.10 shows the descriptive statistic of audit quality regarding different items. The statement based on audit quality is measured in five Likert scales 1 as strongly dissatisfied, 2 as dissatisfied, 3 as neutral, 4 as satisfied and 5 as strongly satisfied.

**Table 4.10: Descriptive Statistic for Audit Quality**

| Items | Mean | SD |
|---|---|---|
| Audit reports are maintained fairly, orderly and efficiently | 4.85 | .380 |
| The audit reports are accurately presented | 4.59 | .533 |
| There is reliability, responsiveness and tangible in audit reports | 4.67 | .527 |
| Audit reports meet the fundamental objectives of financial reports | 4.46 | .575 |
| Audit reports are free from misstatements | 4.45 | .574 |
| Weighted Average Mean Score | 4.60 | .52 |

The respondents' perceived ranking of audit quality is shown in Table 4.10. Regarding the audit quality factor, respondents were questioned. The average of every assertion is greater than 3. The statement "Audit reports are free from misstatements" has the lowest mean (4.45 with standard deviation) among the five, while the statement "Audit reports are

maintained fairly, orderly, and efficiently" has the greatest mean (4.85 with standard deviation.380).52.

The average score for each statement falls between 4.85 and 4.45, indicating that the auditors' answers to the given Likert scale item are consistent. All audit quality statements have an average mean of 4.60 and a standard deviation of 0.52. It shows that the average score is higher than three, indicating that audit quality is regarded as excellent and good.

### 4.1.3 Correlation Analysis

To determine the strength and direction of the relationship between and among the variables, such as the dependent variable, audit quality, and the independent variables, such as audit experience, auditor professionalism, time budget pressure, audit tenure, and error detection knowledge, the bivariate Pearson's correlation analysis has been combined. A linear connection between two variables is processed using Pearson's correlation coefficient in statistics. The range is -1 to +1, with 1 denoting a complete positive correlation, 0 denoting no correlation, and -1 denoting a whole negative correlation. Additionally, the two-tailed significant value has been noted.

**Table 4.11: Correlation Analysis**

| Variables | AE | AP | TBP | AT | KODE | AQ |
|---|---|---|---|---|---|---|
| AE | 1 | .637** | .207* | 0.158 | .506** | .446** |
| | | 0.000 | 0.011 | 0.054 | 0.000 | 0.000 |
| AP | | 1 | .278** | .272** | .602** | .597** |
| | | | 0.001 | 0.001 | 0.000 | 0.000 |
| TBP | | | 1 | .381** | .264** | .324** |
| | | | | 0.000 | 0.001 | 0.000 |
| AT | | | | 1 | .359** | .441** |
| | | | | | 0.000 | 0.000 |
| KODE | | | | | 1 | .623** |
| | | | | | | 0.000 |
| AQ | | | | | | 1 |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis between the variables used in this research is shown in table 4.11. The audit quality and audit experience have a correlation coefficient of.446** which show that audit quality and audit experience are positively correlated. There is a strong correlation between audit experience and audit quality, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. Therefore, audit quality and audit experience follow the same path.

Likewise, the correlation coefficient between audit quality and audit professionalism is.597** which show that audit professionalism and audit quality are positively correlated. There is a strong correlation between audit professionalism and audit quality, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. As a result, audit quality and professionalism follow the same path.

Additionally, the association coefficient between audit quality and audit time budget constraint is.324** which show that time budget strain and audit quality are positively correlated. Time budget pressure and audit quality are significantly correlated, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. As a result, audit quality and time budget pressure follow the same trajectory.

Additionally, the audit tenure and audit quality correlation coefficient is.441** which show that audit tenure and audit quality are positively correlated. There is a substantial correlation between audit tenure and audit quality, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. Therefore, audit tenure and audit quality follow the same path.

Furthermore, the correlation coefficient between audit quality and knowledge of mistake detection is.623**, indicating a favorable relationship between the two. At a 99 percent confidence level, the associated p-value of 0.000 is less than the threshold of significance (α) = 0.01 and indicates a significant link between audit quality and mistake detection expertise. As a result, audit quality and mistake detection expertise follow the same path.

### 4.1.4 Regression Analysis

The dependent variable, which is client satisfaction, and the independent variables, which include audit experience, auditor professionalism, time budget pressure, audit tenure, and

mistake detection expertise, were used to create the multiple regression model. Consequently, the multiple regression formula included $AQ = \beta_0 + AE\beta_1 + AP\beta_2 + TBP\beta_3 + AT\beta_4 + KODE\beta_5 + ej$.

**Table 4.12: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .718a | .515 | .498 | .20727 |

a. Predictors: (Constant), KODE, TBP, AT, AE, AP

The model summary for the linear regression analysis including the dependent variable, audit quality, and the independent variables, audit experience, auditor professionalism, time budget pressure, audit tenure, and mistake detection knowledge, is shown in table 4.12. According to the multiple regression model summary, the R-square for this model is 0.515. This means that 51.5 percent of the variation in client satisfaction can be explained by audit experience, auditor professionalism, time budget pressure, audit tenure, and knowledge of error detection, while the remaining 48.5 percent can be explained by other factors. The multiple regression model's standard error of the estimate is.20727.

**Table 4.12: Analysis of Variance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 6.573 | 5 | 1.315 | 30.602 | .000 |
| | Residual | 6.186 | 394 | .043 | | |
| | Total | 12.760 | 399 | | | |

a. Dependent Variable: AQ

b. Predictors: (Constant), KODE, TBP, AT, AE, AP

An F-value of 30.602, which is significant at the 0.00 percent level of significance, indicates the model's fitness. This suggests that the study model is a strong match for describing how audit tenure, time budget pressure, auditor professionalism, audit experience, and error-detection expertise affect audit quality.

**Table 4.13: Coefficients Analysis**

| | | B | T | Sig. |
|---|---|---|---|---|
| 1 | (Constant) | .621 | 1.838 | .068 |
| | AE | .042 | .572 | .568 |
| | AP | .286 | 3.519 | .001 |
| | TBP | .050 | 1.024 | .308 |
| | AT | .172 | 3.195 | .002 |
| | KODE | .326 | 4.285 | .000 |

a. Dependent Variable: AQ

The Multiple Regression Model

Audit Quality=.612+AE(.042)+AP(.286)+TBP(.50)+AT(.172)+KODE(.326)+48.5

The regression coefficient of the factors influencing audit quality in Nepalese organizations, including audit tenure, time budget pressure, auditor professionalism, audit experience, and mistake detection expertise, is shown in Table 4.13. With all other independent variables held constant, the average influence on audit quality will rise by.042 units if audit experience is increased by one unit, according to the positive regression coefficient of.042, which shows that audit experience has a positive impact on audit quality.

Similarly, the positive regression coefficient of audit professionalism is.286. This means that audit professionalism has a positive effect on audit quality and that, when all other independent variables are held constant, the average influence on audit quality will increase by.286 units if audit professionalism increases by one unit.

Additionally, time budget pressure has a positive regression coefficient of.050, meaning that it has a positive impact on audit quality. If time budget pressure is raised by one unit, the average influence on audit quality will also rise by.050 units while keeping all other independent variables constant.

Additionally, the audit tenure positive regression coefficient is.172, indicating that audit tenure has a positive effect on audit quality. If audit tenure is increased by one unit, the average influence on audit quality will also increase by.172 units, while all other independent variables remain constant.

Ultimately, the knowledge of detecting errors has a positive regression coefficient of.326; this means that it has a positive effect on audit quality. Additionally, if knowledge of detecting errors is increased by one unit, the average influence on audit quality will increase by.326 units while holding other independent variables constant.

### 4.1.5 Hypothesis Testing

The hypothesis testing has been tested with the help of unstandardized beta coefficients of independent variables corresponding p-value (Sig.).

H1: Audit experience has significant effect on audit quality.

There is no statistically significant relationship between audit experience and audit quality, as shown by the associated p-value of.568—greater than 0.05. Therefore, at a 95% confidence level, the alternative hypothesis—that audit experience has a substantial influence on audit quality—is rejected.

H2: Auditor professionalism has significant effect on audit quality.

There is a statistically significant relationship between audit professionalism and audit quality, as shown by the corresponding p-value of.001, which is less than 0.05. At a 95% confidence level, the alternative hypothesis—that audit professionalism has a major influence on audit quality—is therefore accepted.

H3: Time budget pressure has significant effect on audit quality.

Time budget pressure and audit quality do not statistically significantly affect each other, as shown by the associated p-value of.308, which is more than 0.05. Therefore, at a 95% confidence level, the alternative hypothesis—that time budget pressure has a major influence on audit quality—is rejected.

H4: Audit tenure has significant effect on audit quality.

Since the resulting p-value is less than 0.05 (.002), the relationship between audit tenure and audit quality is statistically significant. Therefore, at a 95 percent confidence level, the alternative hypothesis—that the audit tenure has a large influence on audit quality—is accepted.

H5: Knowledge of detecting errors has significant effect on audit quality.

Knowledge of mistake detection and audit quality have a statistically significant influence, as shown by the matching p-value of.000, which is less than 0.05. Therefore, at a 95 percent confidence level, the alternative hypothesis—that knowledge of mistake detection has a large influence on audit quality—is accepted.

**4.2 Discussion**

This study's primary goal is to investigate the variables influencing audit quality. Four hundred auditors from various auditing specialties participated in the research. According to the study's findings, there is a favorable association between audit experience and audit quality. There is a substantial correlation between audit experience and audit quality, as shown by the matching p-value being smaller than the significance threshold % confidence level. Therefore, audit quality and audit experience follow the same path. The results of Khudhair (2019), Alawaqleh (2021), Vanstraelen and Zou (2022), Hai (2019), and Rosati et al. (2022) are all in agreement with this one.

Likewise, there is a positive association between audit professionalism and audit quality, according to the correlation coefficient. The fact that the relevant p-value is below the significance threshold indicates that audit professionalism and audit quality are significantly correlated. As a result, audit quality and professionalism follow the same path. As a result, investment pleasure and responsiveness follow the same path. The results are consistent with those of Athavale et al. (2022) and Saeed et al. (2022).

Additionally, there is a favorable association between audit time budget pressure and audit quality, according to the correlation coefficient. Time budget pressure and audit quality are significantly correlated, as shown by the matching p-value being below the significance threshold. As a result, audit quality and time budget pressure follow the same trajectory. The findings of Chen et al. (2013), Kaawaase et al. (2021), Indarti and Widiatmoko (2021), and Alawaqleh (2021) are comparable to this one.

Similarly, there is a positive association between audit tenure and audit quality, according to the correlation coefficient. The fact that the relevant p-value is below the significance threshold indicates that audit tenure and audit quality are significantly correlated. Therefore, audit tenure and audit quality follow the same path. As a result, tangibles and

investment happiness follow the same path. The consistent findings are similar to those of Susiani (2021), Sari et al. (2019), Pestovic (2021), and Otuya (2019).

In the end, there is a favorable association between audit quality and knowledge of mistakes to be detected. There is a substantial correlation between audit quality and error detection knowledge, as shown by the relevant p-value being below the significance threshold. As a result, audit quality and mistake detection expertise follow the same path. The results align with those of Khan et al. (2019), Lvungu et al. (2019), Amahalu (2020), and Calocha and Herwiyanti (2020).

# CHAPTER-V
# SUMMARY AND CONCLUSION

## 5.1 Summary

The factors influencing audit quality in Nepalese organizations are the focus of this research. The study's main goal has been to identify the key elements influencing audit quality. Descriptive and causal comparative research designs were used in the study. The five different kinds of independent variables and how they relate to the dependent variable are the subjects of this research. An analogous tendency of the causal comparative study design is to establish a causal link between the variables under investigation. The dependent variables (audit quality) and independent factors (audit experience, audit professionalism, audit tenure, mistake detection expertise, and time budget pressure) are the primary topics of this study, and the descriptive research methodology has aided in fact-finding. Four hundred auditors from the Kathmandu Valley who are presently auditing in various audit industries make up the study sample. The scale's items range in score from 1 (extremely dissatisfied) to 5 (highly pleased). The survey approach was employed to collect primary data for the research. The respondents were given a standardized questionnaire, which was sent to them both online and in person. In this work, data analysis was done using both descriptive and inferential statistical methods. Measures of central tendency and frequency distribution are examples of descriptive statistical methods. Cronbach's alpha test and other inferential statistical methods were also used in the investigation. MS-Excel and SPSS version 25.0 have been used for the analysis of primary data.

The study's conclusions may be explained by the correlation coefficient between audit experience and audit quality, which is.446**. This suggests that audit experience and audit quality are positively correlated. There is a strong correlation between audit experience and audit quality, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. Therefore, audit quality and audit experience follow the same path. Likewise, the correlation coefficient between audit quality and audit professionalism is.597** which show that audit professionalism and audit quality are positively correlated. There is a strong correlation between audit professionalism and audit quality, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent

confidence level. As a result, audit quality and professionalism follow the same path. Additionally, the association coefficient between audit quality and audit time budget constraint is.324** which show that time budget strain and audit quality are positively correlated. Time budget pressure and audit quality are significantly correlated, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. As a result, audit quality and time budget pressure follow the same trajectory. Additionally, the audit tenure and audit quality correlation coefficient is.441** which show that audit tenure and audit quality are positively correlated. There is a substantial correlation between audit tenure and audit quality, as shown by the corresponding p-value of 0.000, which is less than the threshold of significance (α) = 0.01 at the 99 percent confidence level. Therefore, audit tenure and audit quality follow the same path. Furthermore, the correlation coefficient between audit quality and mistake detection expertise is.623** which show that audit quality and knowledge of error detection are positively correlated. At a 99 percent confidence level, the associated p-value of 0.000 is less than the threshold of significance (α) = 0.01 and indicates a significant link between audit quality and mistake detection expertise. As a result, audit quality and mistake detection expertise follow the same path.

An F-value of 30.602, which is significant at the 0.00 percent level of significance, indicates the model's fitness. This suggests that the study model is a strong match for describing how audit tenure, time budget pressure, auditor professionalism, audit experience, and error-detection expertise affect audit quality. With all other independent variables held constant, the average influence on audit quality will rise by.042 units if audit experience is increased by one unit, according to the positive regression coefficient of.042, which shows that audit experience has a positive impact on audit quality. Similarly, the positive regression coefficient of audit professionalism is.286. This means that audit professionalism has a positive effect on audit quality and that, when all other independent variables are held constant, the average influence on audit quality will increase by.286 units if audit professionalism increases by one unit. Additionally, time budget pressure has a positive regression coefficient of.050, meaning that it has a positive impact on audit quality. If time budget pressure is raised by one unit, the average influence on audit quality will also rise by.050 units while keeping all other independent variables constant. Additionally, the audit tenure positive regression coefficient is.172, indicating that audit tenure has a positive effect on audit quality. If audit tenure is increased by one unit, the average

influence on audit quality will also increase by.172 units, while all other independent variables remain constant. Ultimately, the knowledge of detecting errors has a positive regression coefficient of.326; this means that it has a positive effect on audit quality. Additionally, if knowledge of detecting errors is increased by one unit, the average influence on audit quality will increase by.326 units while holding other independent variables constant.

In summary, the ability to identify mistakes results in improved audit quality maintenance, but audit experience has little bearing on audit quality. Additionally, audit expertise has a good impact on audit quality. Likewise, audit professionalism has a beneficial impact on audit quality. Additionally, time budget constraint has a favorable impact on audit quality. Additionally, audit tenure has a beneficial impact on audit quality. Ultimately, the ability to identify mistakes has a favorable impact on audit quality.

### 5.2 Conclusion

Given the information, it is evident that the most important and crucial component for an auditor to maintain audit quality in the Nepalese environment is the ability to identify mistakes, which is followed by audit professionalism. Nevertheless, it is also shown that the audit quality is least affected by the audit experience and time budget constraint. As a result, whereas audit experience has little bearing on audit quality, mistake detection expertise improves audit quality maintenance.

Audit quality and audit experience are positively correlated. Additionally, there is a strong correlation between audit quality and audit experience. Likewise, it is discovered that audit quality and audit professionalism are positively correlated. Furthermore, there is a strong correlation between audit quality and audit professionalism. Additionally, time budget strain and audit quality are positively correlated. Furthermore, there is a strong correlation between audit quality and time budget constraint. Additionally, it is shown that audit tenure and audit quality are positively correlated. Furthermore, a strong correlation exists between audit tenure and audit quality. Therefore, audit tenure and audit quality follow the same path. Eventually, audit quality and the ability to identify mistakes are positively correlated. Furthermore, there is a strong correlation between audit quality and mistake detection expertise.

Regarding the impact of variables on audit quality. The quality of audits is positively impacted by audit experience. Likewise, audit professionalism has a beneficial impact on audit quality. Additionally, time budget constraint has a favorable impact on audit quality. Additionally, audit tenure has a beneficial impact on audit quality. Ultimately, the ability to identify mistakes has a favorable impact on audit quality.

## 5.3 Implications

### Practical Implications

Both academics and executives from the different audits may learn a lot from this research. Considering the considerable importance the audit expertise, professionalism, longevity, error-detection skills, time budget strain, and audit quality have garnered. In essence, it is advised that auditors possess the necessary expertise to identify problems. Additionally, most auditors need to be educated and made aware of this. This was due to the fact that the majority of clients who were given the questionnaires either refused to complete them or rejected them because they were unaware of the services or lacked the education necessary to identify inaccuracies. To spread the word about the technology's value, a campaign should be started to promote the general understanding of identifying mistakes during the audit.

### Theoretical Implications

An auditor should be well-versed in identifying faults that are more trustworthy to their clients and audit quality. Increasing the dependability of audit quality is just as beneficial as raising the quality of the services. Audit experience, professionalism, tenure, error-detection skills, and time constraints are all major concerns in auditing. The auditing system should raise awareness and fulfill its pledges and promises about audit experience, professionalism, tenure, mistake detection skills, and time and budget constraints. According to the report, auditors should be given more time to implement, create, and develop new methods in order to improve the quality of their auditing system.

### Future Scope

In order to generalize the study's findings, auditors should be conducted with more professionalism and expertise in mistake detection. For further study, other aspects of service quality that influence audit quality might be included. The moment has come for auditors to realize that they are more than what the audit profession believes. Therefore, it

is hoped that this article will provide crucial information on the elements influencing audit quality. They must therefore comprehend the elements that greatly affect audit quality, such as audit experience, audit professionalism, audit tenure, error-detection skills, and time budget constraint.

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# APPENDIX

## SURVEY QUESTIONNAIRE

I, Akriti Limbu, am a MBS semester student from Shanker Dev Campus. I am conducting a study entitled "Factors Affecting Audit Quality in Nepalese Audit Firms". I have to collect data for the purpose of research work. I, therefore, request it is to help me filling the questionnaire. The information it is will be kept confidential and will not be disclosed for my other reason. Your valued input will be highly beneficial for the study and I appreciate your valuable time and effort for filling the questionnaire.

### Group A: Personal Information (Demographic Variables)

A. Gender.

☐ Male ☐ Female

B. Marital Status

☐ Married ☐ Unmarried

C. Age Category.

☐ 21-30 ☐ 31-40 ☐ Above 40

D. Education Status.

☐ School level ☐ Bachelor Level ☐ Masters and Above

C. Tick out your Work Experience.

☐ 0 to 4 years ☐ 4 to 8 years ☐ Above 8 years

## Group B: Likert Scale Questions

| The statement is based on performance appraisal practices and is measured in five Likert scales 1 as strongly disagree, 2 as disagree, 3 as neutral, 4 as agree and 5 as strongly disagree. | | | | | | |
|---|---|---|---|---|---|---|
| Audit Experience | | | | | | |
| Statements/Scales | | 1 | 2 | 3 | 4 | 5 |
| AE1 | I have good experience in audition. | | | | | |
| AE2 | I prepare audit reports within the time frame | | | | | |
| AE3 | I have depth knowledge in general accepted accounting principles | | | | | |
| AE4 | I solve financial issues accurately | | | | | |
| AE5 | I have good understanding about software used for audit | | | | | |
| Auditor Professionalism | | | | | | |
| AP1 | I maintain public trust in the quality of investigation in preventing fraud | | | | | |
| AP2 | I do submit audit reports in NFRS as per the standard required | | | | | |
| AP3 | I perform my duties with high performance | | | | | |
| AP4 | I have ethics in auditing task | | | | | |
| AP5 | I show compassions to customers while auditing | | | | | |
| Time Budget Pressure | | | | | | |
| TBP1 | I have been allocated sufficient time for auditing | | | | | |
| TBP2 | My organization accomplish the audit task within time frame | | | | | |
| TBP3 | The time budget in my organization is dynamic | | | | | |
| TBP4 | Analyzing financial reports takes time | | | | | |
| TBP5 | Preparing audit reports quarterly is time consuming | | | | | |
| Audit Tenure | | | | | | |
| AT1 | I politely deal with the client | | | | | |
| AT2 | I appreciate the opinions provided by clients | | | | | |
| AT3 | The report should be transparent and consistent between audios and clients | | | | | |
| AT4 | I am satisfied with the client behavior | | | | | |
| AT5 | I can cooperate with the same organization for a long time | | | | | |
| Knowledge of Detecting Errors | | | | | | |
| KDE1 | I can well detect the error while auditing | | | | | |
| KDE 2 | I can rectify the errors made by mistake | | | | | |
| KDE 3 | I have good knowledge in understanding and fetching data from annual reports | | | | | |
| KDE 4 | Insufficient documents cause more errors | | | | | |
| KDE 5 | Unbalanced financial reports make mostly errors | | | | | |
| Audit Quality | | | | | | |
| AQ1 | Audit reports are maintained fairly, orderly and efficiently | | | | | |
| AQ2 | The audit reports are accurately presented | | | | | |
| AQ3 | There is reliability, responsiveness and tangible in audit reports | | | | | |
| AQ4 | Audit reports meet the fundamental objectives of financial reports | | | | | |
| AQ5 | Audit reports are free from misstatements | | | | | |

**Thank You**

# FACTORS AFFECTING AUDIT QUALITY IN NEPALESES A...

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John Kwaku Mensah Mawutor, Borketey-La Francis B, Asamoah Douglas Obeng. "Assessment of Factors Affecting Audit Quality: "A Study of Selected Companies Listed on the Ghana Stock Exchange"", International Journal of Accounting and Financial Reporting, 2019

**paper text:**

ABSTRACT Factors Affecting Audit Quality in Nepalese Audit Firms is the title of the research. The study's main goal has been to identify the key elements influencing audit quality. Descriptive and causal comparative research designs were used in the study. The five different kinds of independent variables and how they relate to the dependent variable are the subjects of this research. An analogous tendency of the causal comparative study design is to establish a causal link between the variables under investigation. The dependent variables (audit quality) and independent factors (audit experience, audit professionalism, audit tenure, mistake detection expertise, and time budget pressure) are the primary topics of this study, and the descriptive research methodology has aided in fact-finding. Four hundred auditors from the Kathmandu Valley who are presently auditing in various audit industries make up the study sample. The scale's items range in score from 1 (extremely dissatisfied) to 5 (highly pleased). The survey approach was employed to collect primary data for the research. The respondents were given a standardized questionnaire, which was sent to them both online and in person. In this work, data analysis was done using both descriptive and inferential statistical methods. Measures of central tendency and frequency distribution are examples of descriptive statistical methods. Cronbach's alpha test and other inferential statistical methods were also used in the investigation. MS-Excel and SPSS version 25.0 have been used for the analysis of primary data. In summary, the ability to identify mistakes results in improved audit quality maintenance, but audit experience has little bearing on audit quality. Additionally, audit expertise has a good impact on audit quality. Likewise, audit professionalism has a beneficial impact on audit quality. Additionally, time budget constraint has a favorable impact on audit quality. Additionally, audit tenure has a beneficial impact on audit quality. Ultimately, the ability to identify mistakes has a favorable impact on audit quality. Keywords: Audit Quality,

**Audit Experience** , Audit **Professionalism, Time Budget Pressure, Audit Tenure** and **Knowledge of Detecting Errors**