

PRE-AND POST OF 2007 AUDIT QUALITY EFFORTS IN INDONESIA

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ABSTRACT

This paper is to explore how the efforts have been undertaken by Indonesia to improve audit quality (AQ) practice. In doing so, the identification of regulator's efforts undertaken by the Indonesian authorities has been identified on a pre- and post- 2007 basis. The finding shows that 2007 was the starting point for quality improvement efforts on audit practices among public accountants in Indonesia. However, the initial reaction to AQ was shown by Indonesia prior to 2007 through policies established to improve the accounting profession. The study also identified regulator's efforts after the year of 2007 that depicts the collaborations among Indonesian regulators in improving the practice. This study contributes the institutional perspective on the phenomenon of the regulatory changes in the context of Indonesia. The key roles of regulators explored in this study can help accounting professionals provide better quality services in audit practice.

Keywords: Audit Quality, Institutional Theory, Regulatory Changes, Indonesia

1.0 INTRODUCTION

Investors and stakeholders have raised concerns on the fairness and integrity level of audited financial information [1] thus the crucial role of regulators is to be responsible hence maintaining market stability [21; 2]. This concern has arisen publicly since the occurrence of several well-known accounting scandals around the world such as Parmalat in Italy, WorldCom and Enron in the United States of America (US), One.Tel in Australia and Livent in Canada [3]. The situation stimulates the US to enact the extensive reforms of US business practices: Sarbanes- Oxley Act of 2002 [22]. The mandate of SOX 2002 not only focuses on handling the US issue, but also influences local auditing rules and regulations in each country around the globe [5]. In addition, the establishment of Sarbanes Oxley Act (SOX) 2002, also establishes a turning point of audit monitoring activity to accounting profession which is conducted by the Public Company Oversight Board (PCAOB) [3]. The establishment of PCAOB has discontinued the self-regulation practice of audit profession [3; 6; 7], since PCAOB is being considered as the new

approach of the external monitoring mechanism. As a result, PCAOB is widely used to oversee the auditing industry on a regular basis [3; 8], and this mechanism gives impact on the improvement of AQ [4; 7].

The establishment of SOX 2002 and PCAOB have led several countries to initiate efforts to enhance their audit quality [9; 10; 11]. For instance, in the United Kingdom (UK), the restructuring of the Financial Reporting Council (FRC) has been implemented which not only concerns on financial reporting but also includes auditing regulation, corporate governance and oversight rules [9]. Australia on the other hand, has issued the Corporate Law Economic Reform Program (CLERP) in 2004 [10]. This program enables corporate disclosures by strengthening the financial reporting framework and overseeing the independence of the auditors on the provision of audit fees as well as monitoring the audit function and audit oversight. Unlike the UK and Australia, Canada directly decided to adopt SOX and named it as Canadian SOX (C-SOX) or Bill 198 [11]. This shows that there is pressure to improve audit quality standards in other countries as a result from the establishment of SOX 2002 and PCAOB.

Indonesia is no exception with regards of audit quality enhancement. One of the efforts initiated is the establishment of the Indonesian Institute of Certified Public Accountants (IAPI) in 2007 to focus on the important role of public accountants in business and economy (PPPK, 2016). Following this establishment, the Indonesia regulators¹ determine several regulatory efforts regarding to accounting profession, and one of a crucial effort is the issuance of the Act No 5/2011 replacing the Decree of MOF 2008 about public accountants, since the existing regulation was considered not strong enough as a legal backing of the profession. Thus, this makes IAPI enforces the Act No. 5/2011 to oversee public accountant requirements and practices. Under the provisions of this act, IAPI has been empowered by the government to prepare and publish auditing standards in Indonesia to ensure public accountants are committed for complying with it [12].

Indonesia is keeping abreast in intensifying efforts to improve AQ. However, the country faces challenges and issues in achieving the objective. Among the challenges is the low level of skills and competency of auditors in audit practice [14], due to lack of training received by the auditors related to the audit process and standards. This has resulted in imbalances in the AQ control system. The second challenge is the weak enforcement of standards and regulations related to auditing practices in the country [14]. For example, a mandatory quality inspection to audit firms are conducted by regulators once every four years which indicate a long gap in the audit quality monitoring. This ineffective monitoring process resulted in audit firms or auditors having fewer obligation and pushing factors to comply with the auditing standards. Another challenge is about

¹ Indonesian regulators consist of the agencies under Ministry of Finance and accounting professional bodies

audit fees. Although the IAPI sets the minimum rate for audit fees, several audit firms are charging lower than the minimum rate to attract clients. Consequently, cost reductions need to be performed by the audit firm by neglecting some of the key audit procedures as well as standards resulting in a decrease in AQ [14]. The issues above somewhat have affected the quality of audit practice in Indonesia, particularly in issuing transparent audit reports. Therefore, to prevent issues associated with AQ and put the trust back within the business, efforts have been undertaken. Therefore, this paper explores how institutional efforts are pursued by Indonesia regulatory bodies and how this has any influence in enhancing AQ. In doing so, the comparison of AQ's effort in pre- and post- 2007 regulatory changes has been established to mark a starting point of the improvement.

In conjunction to that, the present paper is structured in the following manner. The next section provides coercive pressure and three pillars of institutional theory as the basis of this study. A review of previous studies is presented in section three, including the audit quality in Indonesia. Section four describes data and methodology, and section five explains the results and discussions. The final section is the conclusion of the research.

2.0 COERCIVE PRESSURE AND THREE PILLARS OF INSTITUTIONAL THEORY

Coercive pressure described in this paper is an event where a country is experiencing institutionalised pressure from more powerful international forces to which the country depends on. Commonly, the international forces present mandate that the country is required to fulfil [15]. The fulfilment is considered crucial for the country to attain legitimacy, where failure may cause sanctions for non-compliance [23]. In addition, the coercive pressure can also be associated with the mechanism of regulative pillar, since the coercive perspective focus on directive power of the country in implementing regulative pillar for example issuing law or regulation with regards to certain concessions or requirements by the international institutions [8].

Regulative pillar emphasizes on the elements such as enacting the new law or policies as well as establishing regulatory bodies while the two other pillars, normative and cultural-cognitive pillars are also the basis of legitimacy with broad but different rationales [17]. The normative pillar highlights the basis of legitimacy that focuses on moral rather than legal aspect. It concerns on informal rather than formal structures in the regulatory changes. The last pillar is cultural-cognitive pillar. The pillar which emphasizes the changes in conceptual belief, norms and values. In other word, this cognitive pillar underlines cultural legitimacy that comes from adopting a common mindset or attitude. Therefore, institutional theory is used to support this paper to explain the process of enhancing audit quality in pre- and post- 2007 regulatory changes in Indonesia. It also shows the developments evidence, and illustrates the comparison between two

periods of the changes for the accounting profession. This theory shapes how the regulatory changes influence audit quality in Indonesia.

3. LITERATURE REVIEW

3.1 Regulatory Changes and Audit Quality in Emerging Economies

The regulatory changes on global environment are also giving huge impact to most of emerging economies, such as China [24]. In their study, Chen, Sun and Wu examine legal and regulatory changes that affect the relationship between audit quality and the client economic importance from 1995-2000 and 2001 to 2004. The results show significant differences and contradictory results between the two eras of analysis. The probability of issuing Modified of Audit Opinion (MAOs) before the year of 2001 is lower important clients, while after 2001; the receiving of MAOs is higher. It means that the audit quality before 2001 was impaired by the client importance as measured individuality to auditor. After the year of 2001 the audit quality is high.

Another study was conducted by comparing fifteen developing countries' development of accounting profession and the association between AQ and auditor choice in the countries. Although the study did not focus specifically on the regulatory changes and its AQ' impact, the result shows that after the establishment and controlling for rule of law which protect investor, the AQ seems to be higher in countries with more developed audit profession and only for Big Four auditor's clients. The fifteen developing countries studied include Brazil, Czech Republic, Chile, Philippine, Mexico, Pakistan and Indonesia [16]. This study is consistent with the audit quality research conducted by DeAngelo [31], Francis [25] and Francis & Wang [26] where audit firms with higher competency determinants and larger firm size provide better AQ. Another example of the global regulatory changes is the adoption of International Standards on Auditing (ISA), which is a profession tools used to regulate the audit process hence the application of this standard leads to higher audit quality [19].

The time and process of adoption and implementation of auditing standards for each country may vary. International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) are two examples of standards that have generally been adopted. Based on the MSCI Emerging Market Index 2014², there are 22 best emerging market countries: China, South Korea, Malaysia, Chile, Thailand, Panama, Peru, Latvia, Poland, Czech Republic, Colombia, Turkey, Hungary, Russia, Brazil, Philippines, Mexico, Indonesia, South Africa, Morocco, India

² MSCI Inc. is a leading provider of investment decision support tools to investor globally. MSCI's product and services include indexes, portfolio risks and performance analytics, an environment, social and government tools, It provides the annual update data provided on every April in the following year. The updated data available in the website is the year of 2014. This data downloaded on March 22nd, 2016, <http://www.bloomberg.com/visual-data/best-and-worst/best-emerging-m...>

and Egypt. Most of the countries above have already adopted or implemented the international standards and are currently members of IFAC. Based on the Statement of Membership Obligations (SMOs), those countries have to adopt the determined standards; ethic codes and rules published [28]. However, the time and process of adoption depends on the country's readiness. Nevertheless, the IFAC provides general guidance and determines the deadline for each country to adopt those changes effectively by considering the nature of economy, legal environment, politics, and cultures of each country [29; 34; 37]. The process of adopting standards is considered as one of the challenges and constrains among countries due to the capacity issues [33]. However, the efforts in achieving a properly functioning auditing profession through adopting international standards are the real evidence that the implementation of audit quality in their country are being looked into seriously [39; 42].

3.2 Audit Quality in Indonesia

As discussed above, audit quality can be determined by several factors and determinants such as competency, independency, audit standards, regulations, audit's opinion and other aspects. In Indonesia, the regulators show the commitment to ensure a good practice in accounting and auditing reform by focusing on some factors such as auditing requirement and standard setting; continuing professional development program; quality review and audit tenure to enhance audit quality [12].

Since 2007, MOF regulation authorized the Indonesian Institute of Public Accountants (IAPI) to set auditing standards and issued a Code of Ethics for public accountants. The regulators also issue Company Law No. 40 (2007) which stipulates that certain types of entities are required to undergo an annual financial statement audit, such as listed companies, banks, state-owned company, non-bank financial institutions and other companies as regulated in the act. There is no extended statutory audit requirement to companies like Brunei, Malaysia, Myanmar, and Thailand [44]. However, all corporate entities are required to prepare annual financial statements in accordance to the accounting standards issued by the Indonesian Institute of Accountants (IAI). In other words, the corporate entities must comply with the accounting standards in presenting their financial statements, and the public accountants should meet auditing standards in order to conduct auditing services. The regulators also recognize that accountants need to determine not only how best to comply with this standard, but also what emphasis to place on the various parts of the education and development process, since this standard also prescribes requirements relating to practical experience and the assessment of capabilities and competence. A mandatory development program for accountants is usually called as Continuing Professional Development (CPD) [44].

The regulators motivate and encourage accountants to be “audit professionals” who are described as those who have a substantial role in the audit assignment and whose judgments are relied on in arriving at the overall audit opinion [12; 45]. To acquire the capabilities required by audit professionals, accountants are required to obtain additional education and development programs and activities apart from those requirements to qualify as professional accountants, in order to support the enhancement of audit quality [45; 57]. In the case of Indonesia, CPD program is regulated by the Law No. 5 (2011), and article 43 states that one of the responsibilities of the professional body is to provide CPD program for the members periodically. The detailed procedures of the requirements and conducts are explained in Rule of IAPI No. 4 (2014). To ensure compliance of CPD’s implementation, the regulators have emphasized this aspect into their quality review agenda [12; 13].

The accountants’ practice is monitored by the regulators. Regular quality review programs are being conducted to ensure compliance with the professional auditing standards and the code of ethics. The results of the quality reviews will be reported to the chief of Indonesia’s Finance Profession Supervisory Centre (P2PK) as well the head of IAPI with the recommended corrective actions [12; 13]. Gunny & Zhang [6] explained that quality inspections or quality reviews is able to confirm actual audit quality among accountants.

4.0 RESEARCH METHOD

This study uses the qualitative method [38] to explore the Indonesia regulators’ efforts to enhance audit quality. The detailed interviews use unstructured questions. A total of 22 interviewees who are regulators and practitioners, are involved as participants. This study has also conducted reviews on the available Indonesian legal documents. This study applies comparative analysis which is used to compare two similar things that have crucial differences like two periods, two texts, two historical figures, two scientific processes and so on [40]. This study compares two different eras of regulator’s efforts in Indonesia. According to the data which was obtained and analyzed, the code of hierarchy is illustrated in Figure 1.

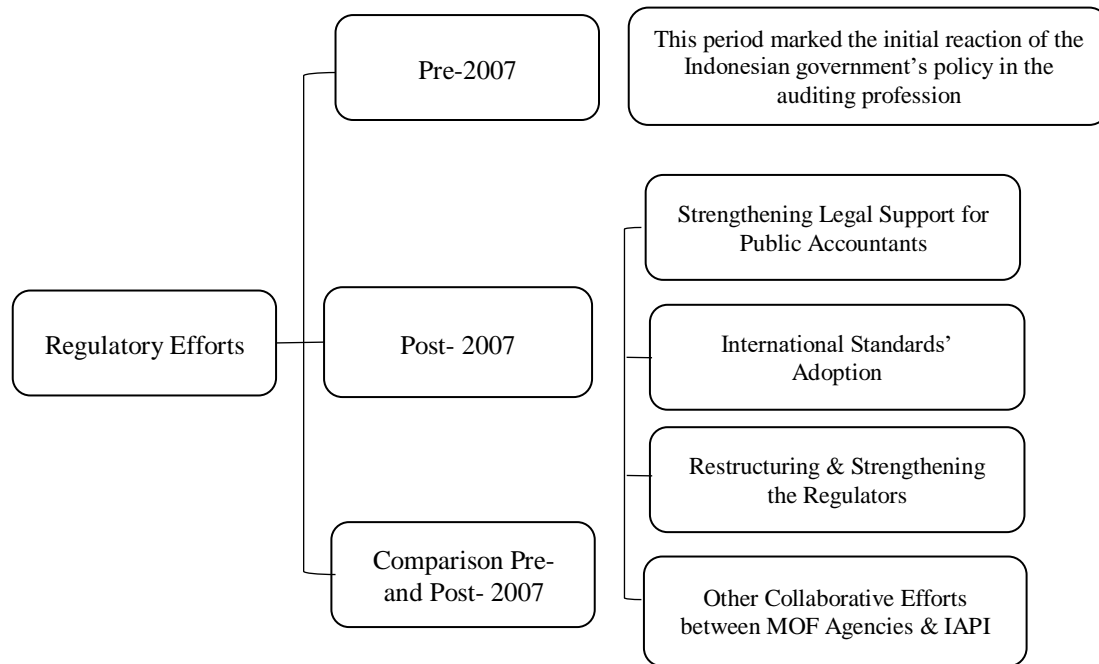


Figure 1: the hierarchy code

5.0 RESULT AND DISCUSSION

5.1 Pre-2007 of Audit Quality Efforts in Indonesia

This section discusses the findings on efforts undertaken by Indonesia in improving audit quality prior to 2007. The discussion in this study focuses more on regulative and normative pillars to show how the regulatory efforts of accounting profession developed in this period, focusing on rules and policies, as well as the adoption of auditing standards and professional code of ethics [17].

Efforts of AQ in Indonesia began in 1954 when a law was enacted on the use of the title of "akuntan" (Accountant). This title applies only to members of the Indonesian Institute of Accountants (IAI), which consist of recognized accounting graduates. Since then, the policy of the accounting profession has changed constantly in line with terms and time. Through IAI, the Indonesian government has developed its accounting profession by setting up the Public Accountants Section (IAI-SAP) in 1978 [41].

During this era, to become a licensed public accountant, apart from complying with the IAI-SAP section, the individual must acquire the title "Akuntan" and must also have served the government for at least three years (in accordance with Act No 8/ 1961, which is a mandatory service for state/government universities' graduates). The purpose of this requirement is to

ensure that the individuals are prepared to provide high quality services. The accounting standards adopted by IAI-SAP to guide this practice are based on Generally Accepted Accounting Principles (PAI³). While for auditing, the Indonesian Generally Accepted Auditing Standards (NPA⁴) is used as an auditing standard. This profession has also adopted the code of ethics to regulate the professional conduct of members.

Between 1978 and 2006, the government paid attention to public accountants' profession and began issuing several relevant laws and regulations. For example, in the beginning of 2000, the government had taken a more active role to monitor and expand the accounting profession by introducing professional practice licenses. One of the goals is to ensure that local or foreign accountants can provide systematic and quality accounting related services. Additionally, efforts have been made to strengthen the procedures and practices of public accountants by regulating audit procedures and inspections on audit firms. Audit procedures are used to determine the quality of the financial information being provided by their clients. The audit *procedure* used for each client varies, depending on the nature of the business and the *audit* assertions that the *auditors* want to prove. Based on the regulator's inspection, it was found that many of public accountants could not show the detail audit working paper as a basis for them to provide an opinion on financial statements although providing audit working paper is the evident that auditor conduct audit procedures required by standards, as explained by RG03.

However, in 2002, there was a significant change in the profession as a result of the internal economy crisis in Indonesia after 1997/1998. and the pressures from international organisations to increase the quality of accounting profession in order to support corporate financial reporting quality [79]. Subsequent to that, the government drafted an act to meet the needs of international institutions. The following is a statement by RG03 relating to international pressure in the country in improving the quality of the accounting profession, as well as government's efforts in assisting the development of accounting profession that influence the quality of audit in Indonesia;

“(....) actually the pressure was from ADB, not because of our own awareness. We realized then after doing a study that it is necessary to regulate this profession.”

Prior to 2007, the requirement to become a public accountant in Indonesia was only open to accounting graduates from public or government universities and former BPKP staff. Recognising the importance of improving the quality of accounting services especially auditing, which requires involvement from various parties, the government started to accept graduates

³ PAI: Prinsip Akuntansi Indonesia

⁴ NPA: Norma Pemeriksaan Akuntan

from private universities to apply for the post. This is in line with the findings from the interview with RG01 (regulator), which states;

“(.....) the era of 1990s to 2000, the government granted a privilege to the retired auditors from the BPKP to become public accountants. After that, the regulation gave opportunities to anyone who wishes to become a public accountant. In 1997, it was the first time that the CPA⁵ certification was awarded to individuals who had passed the USAP exam.”

The above findings indicate among the initial reactions on the Indonesian government’s policy in developing the quality of the audit profession by providing equal opportunities to become public accountants. This policy creates a healthy competition among accounting professions and indirectly improves the quality of accounting procedures, especially in auditing.

Theoretically, apart from clarifying the regulative pillar process, the above discussion also explains how the normative pillar expands the regulatory pole. This can be explained by the normative pillars focusing on values and norms as a guide to social and political behavior amongst public accountants using the existing audit standards as well as the ethic code. The code of ethics represents the statements of values and principles guiding the daily work of the profession, while the auditing standards, contain principles for carrying out the audit work (IFAC, 2017). Therefore, it can be concluded that institutional mechanisms are normative in nature [17].

5.2 Post-2007 of Audit Quality Efforts in Indonesia

The previous section discussed the findings on the Indonesia's efforts to improve their AQ in pre-2007. Likewise, this section focuses on the same issue but emphasizes at the efforts undertaken by Indonesia after 2007 (post-2007). The year after 2007, marked the starting point for AQ’s efforts in Indonesia. The efforts were also undertaken to meet the recommendations from international institutions such as the World Bank, IFAC and ADB that suggested there is a need to improve the quality of audit practices in Indonesia. The discussion on these efforts has been divided into sub-sections as follows:

5.2.1 Strengthening Legal Support for Public Accountants

One of the recommendations from the World Bank and IFAC is to establish an independent professional organization that only focuses on public accountants. In response to that recommendations, the Indonesian Institute of Certified Public Accountant (IAPI) was officially

⁵ At that time the term used for CPA in Indonesia was BAP (Bersertifikat Akuntan Publik). Someone who passed in the CPA exam will get BAP title.

established on 24 May 2007, based on the decision of the extraordinary general meeting of IAI [12]. The aim of the IAPI is to fulfil the requirements of IFAC and World Bank to be an independent organization for the Indonesian Public Accountant. This effort is supported by the Finance of Minister Decree No. 17/PMK/ 2008 regarding the CPA Services. In 2011, the Act No 5/2011 was issued followed by the enactment of Government Regulation (PP) No. 20/2015. The regulation (PP) No. 20/ 2015 is the practical explanation of the Act no. 5/ 2011. This has proved that Indonesia has made notable improvement and significant efforts in term of strengthening the legal support for the accountancy profession. The evidence of such efforts is confirmed by the participants (RG01 and PB03) who have consistent stands towards the current legal framework and regulation and they acknowledged that legal frameworks affect the development of high-quality auditing practices in Indonesia which involve important elements of AQ.

On the other hand, it can be said that legal and regulatory framework of auditing are the efforts by the regulators in order to establish strong foundation of AQ since the efforts always involved the factors of enhancing AQ or being expected to impact the improvement of AQ. The legal framework is considered important elements of AQ and also emphasize the construction among its elements as suggested by IFAC. The participants believe that having specific regulation on public accountants in more comprehensive manner may increase and improve the business growth, specifically in auditing field. In other words, these regulations have successfully addressed the auditing framework for public accountants.

5.2.2 International Standards' Adoption

Apart from issuing new regulations for AQ improvements, the government also adopted two international standards, accounting standards and auditing standards in 2009 and 2013 respectively. However, the adoption of professional code and conducts is still in progress. One of the participants suggested that (RG01 and PB03), the adoption of international standard is important in increasing the quality standard in local accounting profession as the standard was developed to provide one set of guidelines that auditor and its audit firm should apply when conducting a financial audit. RG02 asserted that if the auditor follows the standards, the output of the audit assignment can therefore be accounted for. He added that proper implementation of international standard is one of the indicators that AQ has improved. Furthermore, utilizing international guidelines and standards are considered as a part of Indonesia strategies to increase the practitioners' commitment for transparency practice. In addition, the adoption of international standards is also part of the agreement as an IFAC member mentioned in the literature review section.

5.2.3 The Restructuring and Strengthening the Regulators

Besides the efforts of AQ (refer section 5.2.1 and 5.2.2), the restructuring of the main regulators has also been considered in the country. The main regulators involved are Centre for Supervision of Accountants and Appraiser Services (PPAJP) and Indonesian Capital Market Supervisory Agency and Financial Institution (BAPEPAM –LK). The detail restructuring process is figured on the table 1 below:

Table 1: The Restructured Agencies under MOF

Ministry of Finance (MOF) Agency	Changed/ Restructured into	The Year	Function and Responsibility
Centre for Supervision of Accountants and Appraiser Services (PPAJP)	Indonesia’s Finance Profession Supervisory Centre (P2PK)	In 2014	Prepare the formulation of policies, guidance, development and supervision of public accountants
Indonesian Capital Market Supervisory Agency and Financial Institution (BAPEPAM –LK)	Finance Services Authority (OJK)	In 2012	Set and enforce Capital Markets rules and regulation, norm, guidance on criteria, procedures and implement those in financial institution sector

Based on the table above, the government have changed the name and restructured the PPAJP into P2PK in 2014. Another regulator is the BAPEPAM –LK which was changed into OJK in 2012. Both agencies are under the MOF. The main reason for the restructuring was due to the current business demand and stakeholders’ needs and expectations where business conditions are expected to be better and conducive after the restructuring which should solve several issues involving the accounting profession, that occur in the global and internal countries. According to the participants, the purpose of these changes and the restructuring of the agencies are to extend their responsibilities and improve their capacity in order to meet the current demands generally and to enhance AQ specifically (e.g. RG01, RG02 and RG03). They added, by doing so, the benefits gained are the return of investor’s trust and market confidence in the profession and regulators as policy makers.

5.2.4 Collaborative Efforts Between MOF’s Agencies and IAPI

Based on the interview with participants (RG02 and PB04), the efforts abovementioned were conducted together between P2PK, IAPI and other related regulators such as OJK and Central bank (BI). They consider that by doing collaborative efforts, the overlapping policies for public

accountants may be decreased. They have consistent perceptions about the standards, guidelines and other procedures. The collaborative efforts between the MOF agencies and IAPI are not only in preparing the regulations and standards, but also in arranging several programs or activities such as the Continues Professional Development (CPD) program, Forum Group Discussion (FGD) program, and also audit laboratory program. The following are comments by RG03 regarding the collaborative programs for practitioners.

“We work with IAPI, for example regarding the PPL (CPD). We have given the right to IAPI to handle and provide the schedule of CPD for practitioners around Indonesia. Our mandatory CPD for them is included in that schedule.”

As discussed above, the collaborative programs between the MOF agencies and the IAPI marks as a shift in the concept of the regulator’s role’s where the effort’s attention to work together in order to enhance the AQ should involve the professional bodies as well. Previously, the regulators only focus on their part, issuing rules or regulations without trying to understand what actually occur in the practices of the profession as stated by RG02.

Thus, based on the above discussion, it can be said that the regulatory efforts also serve as a compass for the profession in this country seeking to find approach to successfully implement its AQ. In addition, comprehensive action plans related to this profession, are still being carried out in other various roles and efforts.

The next section discusses the comparison of pre- and post- 2007 AQ’s efforts in Indonesia.

5.3 The Comparison of Regulator’s Efforts on Auditing Framework (Between the Pre- and Post- 2007)

The legal basis used to differentiate the regulatory framework between the pre-2007 and post-2007 period is the regulations implemented in each era. The Finance Minister Decree No 423/KMK.06/2002 was used before 2007, and the current regulation used for public accountant are Law No. 5/ 2011 and Government Regulation No. 20/ 2015⁶. Specifically, the following major comparison points are considered: the auditing and accounting standards, used the professional bodies in charge for CPA, and other institutional agencies under MOF and their responsibilities. Further to this, the main difference is the collaborative efforts between regulators which mark as a shift in the concept of regulator’s role and responsibilities in enhancing AQ. Thus, there are four major points which differentiate the auditing framework between both periods.

⁶ PP No.20/ 2015 is the detail explanation of UU No. 5/ 2011

As a recap, the recent regulators work closely with the professional bodies as well as the practitioners, and they supervise the practitioners regularly and intensively through regular audit review or inspection program. However, the pressure as well as the recommendation from the international bodies has made the regulators to take comprehensive action plans and continue with the improvements in which many have been realized into various roles and efforts.

6.0 CONCLUSION

This study explores the differences in the regulator's efforts between the pre-and post- 2007 which results provide consequence of the different audit framework between these two periods of regulatory changes. The results indicate that there are at least four points which show significant differences between these two periods. Based on these aspects, the post-2007 period of the auditing framework shows more interactions among parties involved and were highly supervised by the regulators. It is also important to note that the regulatory changes occurred are the efforts and initiatives of the regulators to enhance the AQ in Indonesia. Keeping abreast with the current developments in AQ, changes in the legal and regulatory frameworks, ensures that the auditing standards remain excellent and up-to date. The regulatory efforts also serve as a compass for the profession in this country seeking approaches to successfully implement its AQ. In addition, comprehensive action plans related to this profession, are still being carried out in other various roles and efforts.

This study contributes the institutional perspective on the regulatory changes phenomena in the context of Indonesia. This paper, explores new views, particularly relating to the significant roles of the regulators in the accounting profession. Being an empirical research, this study is subject to limitations that concerns the AQ' regulatory effort of Indonesia context, including legal documentary evidence used and participants, as it is designed to provide in-depth description of the current AQ improvements, rather than to generalize the result.

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