

The Hospitality: Does It Affect Audit Independence? Auditor vs. Auditee Perspective

Keramahtamahan: Apakah Berpengaruh terhadap Independensi Audit? Sudut Pandang Auditor vs. Auditee

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DOI: 10.55963/jraa.v11i1.609

Abstract - This paper aims to analyze the impact of hospitality on independence and audit quality based on the viewpoints of the auditor and auditee. This paper is qualitative research with data collection by observation and semi-structured interviews with internal auditors and financial managers (auditees) at multinational companies in Indonesia. The results of the analysis state that there are similarities in views between auditors and auditees regarding hospitality. Auditors consider that hospitality, although it cannot be generalized to all auditors, will not interfere with their independence in the audit process and assessment of audit results. The auditee is also of the view that hospitality is one aspect of service from the "host" to the "guest" with service limited to reasonableness by local customs and culture. The auditor and auditee consider that they are partners who maintain a professional work attitude, and hospitality is one of the media for communication in confirming each finding and conveying the results of the audit. This article contributes to increasing literacy regarding the influence of hospitality on the independence and audit results quality and provides consideration to companies as a basis for policy in responding to providing hospitality to auditors in the audit process.

Keywords: Audit, Independence, Hospitality.

Abstrak - Paper ini ditujukan untuk menganalisis pengaruh keramahtamahan terhadap independensi dan kualitas hasil audit berdasarkan sudut pandang auditor dan auditee. Paper ini merupakan penelitian kualitatif dengan pengumpulan data melalui observasi dan wawancara secara semi terstruktur kepada auditor internal dan manajer keuangan (auditee) pada perusahaan multinasional di Indonesia. Hasil analisa menyatakan bahwa terdapat persamaan pandangan antara auditor dan auditee terkait aspek keramahtamahan. Auditor menganggap bahwa keramahtamahan meskipun tidak dapat di-generalisasi untuk semua auditor, tidak akan mengganggu independensi mereka dalam proses audit dan penilaian hasil audit. Auditee juga berpandangan bahwa keramahtamahan merupakan salah satu aspek pelayanan dari "tuan rumah" kepada "tamu" dengan pelayanan sebatas kewajaran sesuai dengan kebiasaan dan budaya daerah setempat. Auditor maupun auditee menganggap bahwa di antara keduanya merupakan partner yang saling menjaga sikap profesional kerja dan keramahtamahan merupakan salah satu media untuk berkomunikasi dalam mengkonfirmasi setiap temuan, dan menyampaikan hasil audit. Artikel ini berkontribusi meningkatkan literasi terkait pengaruh keramahtamahan terhadap independensi dan kualitas hasil audit dan memberikan pertimbangan kepada perusahaan sebagai dasar kebijakan dalam menyikapi pemberian keramahtamahan kepada auditor dalam proses audit.

Kata Kunci: Audit, Independensi, Keramahtamahan.

INTRODUCTION

The issue of auditor independence in the audit process is a very important topic because it relates to the quality and credibility of the audit report (Agnesia, 2020; Putri & Wulandari, 2023; Sangadah, 2022; Santoso & Riharjo, 2020; Setiawan et al., 2022; Sulistyawati, 2021). Independence makes the audit results objective, honest, and impartial so that with independence, the audit quality becomes better and can maintain the trust of all parties involved (Natsir et al., 2023; Sangadah, 2022). Many studies have been conducted related to independence and its influence on the quality of audit reports, with research results stating that independence has a positive effect on the quality of audit results (Natsir et al., 2023; Sangadah, 2022; Santoso & Riharjo, 2020; Setiawan & Wahyudi, 2022). Independence has a positive influence on the quality of audit reports, meaning that every increase in the independence of an auditor in an audit assignment will cause the quality of the audit reports to

increase; conversely, every decrease in the independence of an auditor in an audit assignment will cause the quality of the audit reports to decrease.

A phenomenon related to auditor independence that influences the quality of audit reports in Indonesia is the case of PT. Sunprima Nusantara Pembinaan (SNP Finance) (Yudistira, 2018). Violations of independence cause the audit process to be carried out non-objectively, and audit opinions are still issued, so that errors in the presentation of financial reports go undetected and the information conveyed becomes biased and misleading to users. In this case, the Public Accounting Firm (KAP) Satrio Bing, Eny & Partners (Deloitte Indonesia) received administrative sanctions from the minister of finance due to violations of not implementing accounting professional standards related to the SNP finance audit process for financial reports for the 2012-2016 financial year. KAP quality control system in terms of assignment of auditor personnel, where the team of auditors assigned to SNP finance has been on an audit engagement with the same client for quite a long period of time (Yudistira, 2018). With a long assignment period for the same client, there is potential for the auditor to become too familiar with the client, and this can disrupt the auditor's independence (Leng et al., 2022).

In the accountant professional code of ethics, independence is one of the principles that must be maintained and implemented consistently by auditors (IAPI, 2020). IAPI states that among the things that can affect auditor independence are: rewards, gifts, hospitality, threats of litigation, financial interests, loans and guarantees, business relationships, family and personal relationships, having worked for an audit client, holding multiple positions, and so on (IAPI, 2020). An interesting thing to study further is hospitality. IAPI states that accepting gifts and hospitality, including entertainment or material objects, from clients can potentially pose threats of intimidation, closeness, and personal interests. Auditors are not permitted to expect and/or accept hospitality and material objects from clients, except for small amounts in accordance with the rules and regulations. does not have an impact on objectivity in assessing audit results (IAPI, 2020). Even though, in practice, hospitality is something that is common in society because it is related to Indonesian culture and religious teachings, especially Islamic teachings that recommend glorifying, respecting, and truly valuing guests (Setiawan, Khamid, et al., 2023).

This article continues Setiawan & Wahyudi (2022), who analysed aspects of hospitality to auditors using a literature review method based on book references and accredited journals. This research expands this with a more in-depth analysis using qualitative methods based on the results of interviews with auditors and auditees (financial managers) in Indonesian multinational companies. This research is aimed at analysing the aspect of hospitality towards auditors and how it affects audit independence. Hospitality, which is considered ethical behaviour in cultural and religious teachings, is actually considered unethical behaviour in relation to the public accounting profession, especially if the hospitality is carried out with material value and has an impact on the auditor's independence, which affects the objectivity of the audit process and reporting. This research tries to answer the research question: "what are the perspectives of auditors and auditees regarding the practice of providing hospitality in the audit process?", this article is important because, until now, there have not been many similar studies conducted that specifically discuss the hospitality aspect of independence and the quality of audit results. This contributes to increasing literacy regarding the influence of hospitality on the independence and quality of audit results and providing consideration to companies as a basis for policy in responding to providing hospitality to auditors in the audit process.

LITERATURE REVIEW

Hospitality

The term hospitality comes from the word "friendly," which means conversing between friendly people in a relaxed and warm atmosphere. The definition of hospitality is the provision of services, including attitudes and actions, given by one party to another party related to cooperative engagements with friendly service so that the atmosphere is comfortable and there is respect for each other (Erlangga et al., 2018). Hospitality in the general sense is defined as the attitude and behaviour of people who prioritize familiarity in interactions between people, which is manifested by a smile, a polite attitude,

mutual respect and appreciation both in words and deeds, likes to help selflessly, thinks positively, and behaves well and pleasantly (Ojra et al., 2020; Riyadi, 2018). Being friendly always creates a comfortable atmosphere in social interactions and is open to receiving input. Friendly people usually start conversations and meetings with a smile, both with people they already know and with people they have just met. If you meet, you will greet first, and in speaking, prioritize politeness and positive speech (Alzeban, 2020; Riyadi, 2018).

In the public accounting profession, clients extend hospitality to public accountants or auditors during the audit assignment process for financial reports. IAPI in the public accountant professional code of ethics states (IAPI, 2020): *gifts and hospitality received from clients may create threats of intimacy, self-interest, or intimidation (Section 420.2). Auditors must not accept gifts and hospitality from audit clients unless the value is small and has no impact (Section P420.3).*

The corruption eradication commission (KPK) mentions hospitality in the gratification introduction booklet as follows (KPK, 2020): *the gratification that may be received has the following characteristics (1) hospitality is seen as expression and respect in social relations between people within the limits of reasonable values. All gratuities received by state officials must be reported to the corruption eradication commission, except: (2) the generally accepted dish or dish.*

Independence

According to the big Indonesian dictionary (KBBI), independence is defined as being independent, not bound, independent, and free-spirited. Public accountant professional standards (SPAP) Section 220 states that independence means not being easily influenced (IAPI, 2020). Auditors must be honest, objective, and free from pressure from other parties; have no personal interests; and be close to clients, whether owners, management, or employees. The code of ethics for public accountants states independence as the attitude expected of public accountants to be free from personal interests in carrying out their duties and is contrary to the principles of integrity and objectivity (IAPI, 2020). When providing opinions on audits of financial reports, public accountants must prioritize integrity and professionalism to remain independent and objective, guided by the professional standards for public accountants issued by the Indonesian accountants association, to maintain the quality of audit results so that they are useful for the interests of clients and for all parties who use financial reports (Khalid & Sarea, 2021; Natsir et al., 2023).

Independence is the attitude and actions of a public accountant who are consistent in their stance without being easily influenced, are fair, do not take sides with one's interests, and prioritize honesty with clients, both management and company owners, as well as with other parties who use financial reports (Setiawan, Rohemah, et al., 2023). Independence is also defined as a mental attitude that is free from influence, is not controlled by other parties, and does not depend on other people. Auditors are honest in maintaining objectivity and always consider facts so that they do not take sides in formulating and expressing opinions (Guizani & Abdalkrim, 2022; Sulistyawati, 2021). Factors that indicate independence are: a) a mental attitude that is free from influence, so that the audit report produced is of high quality; b) not controlled by other parties, so that the audit report produced is free from engineering; c) not dependent on other people, so that the report The resulting audit is beyond doubt as to the truth (Sangadah, 2022; Taha, 2023).

Independence has three dimensions: 1) independence of program preparation; 2) independence of investigation; and 3) independence of reporting. The challenges in assigning auditors to maintain an independent mental attitude, and occasionally disrupt this mentality, are as follows: a) as an independent auditor, the auditor receives appreciation for their services from the client; b) as an auditor service provider, the auditor tends to satisfy the client's expectations; and c) auditors who persist in their establishment risk losing the client's cooperation (Natsir et al., 2023).

Audit Quality

Audit quality is the auditor's probability of carrying out audit procedures for the client's financial statements so that he can find errors that occur in the client's accounting recording procedures and express them in the audited financial report, where the auditor, in carrying out his duties, uses accounting and auditing standard guidelines and the relevant accountant's code of ethics (Albawwat, 2021; Luh, 2023). Auditor quality consists of two things: a) the technical abilities of auditors obtained

from professional education and experience; and b) the quality of auditors in maintaining their mental attitude and ethical commitment (Challen & Noermansyah, 2023).

Based on BPK (financial audit agency) regulation no. 01/2007 concerning state financial audit standards (SPKN), audit quality is measured based on the following things: a) process quality (accuracy of audit findings, scepticism); b) quality of results (recommendation value, report clarity, audit benefits); c) quality of follow-up to audit results (Agnesia, 2020). The indicators used to measure audit quality are as follows: a) detection of misstatements originating from fraud or errors; b) conformity with applicable general standards, namely public accountant professional standards (SPAP); c) compliance with SOPs, the written policies regarding company operational procedures (Wooten, 2003).

RESEARCH METHOD

This research uses qualitative methods by collecting data through observation and interviews. Observations were carried out by making direct observations at the research location in the form of hospitality phenomena in the audit process, from the auditee to the auditor. The observations in this research provide a real picture according to existing facts about the hospitality phenomenon in the audit process, so that it can reveal reality and better understand the problem being studied (Sugiyono, 2020). Interviews were conducted in a semi-structured manner with four informants consisting of two internal auditors and two finance managers (auditees) (see table 1). The semi-structured interview method was chosen to explore information and obtain more in-depth explanations from informants (Sugiyono, 2020).

The topics of hospitality that will be discussed and the focus of this research are: 1) hospitality in the auditor profession; 2) limitations of hospitality in auditor assignments; 3) hospitality in independence and the quality of audit results. The hospitality measurements used in this research are: 1) provision of food and drinks in the office provided by auditees to internal auditors; 2) food and drinks outside the office offered by auditees to internal auditors; 3) gifts in the form of goods, food, or snacks provided by the auditee to the internal auditor; and 4) vehicle facilities provided by the auditee to the internal auditor during the assignment.

The informant works for a multinational company in Indonesia, where the internal auditor is an independent party in the company, and the audit process is carried out suddenly without informing the auditee first. The audit process is routine once a year with random schedule selection, so it is not possible for the auditee to know when the audit schedule will take effect in their branch. The reason for selecting these informants is the suitability of their job backgrounds and experiences as internal auditors and auditees in multinational companies. This is to ensure that the information obtained is valid and the results can be accountable. Selecting four informants, comprising two internal auditors and two auditees, serves as an effort to triangulate sources as justification and to affirm the accuracy of the conveyed data.

Table 1. Informant Data

No	Name	Position
1	Mr. A	Internal auditor
2	Mr. B	Internal auditor
3	Mrs. C	Finance manager (auditee)
4	Mrs. D	Finance manager (auditee)

Source: Data processed, 2023

In the interview process, the researcher provides information and explanations about the research objectives and required information. Due to the informants' remote locations, the interview process used chat media on the whatsapp application, making it easier to summarize and analyse the data. There are three stages of data analysis: data reduction, data presentation, and drawing data conclusions (Sugiyono, 2020). The data reduction process involves selecting important information and eliminating information that is not appropriate to the research context. In the process of presenting data, researchers observe every pattern, trend, and piece of information depicted visually. In the data summarization process, researchers carry out in-depth analysis and verification to ensure

that all the information collected meets the aims and objectives of the research. In order to obtain accurate data, the researcher carried out a data credibility test in the form of a source triangulation test by confirming the correctness of the data results with other informants who have the same competence (Sugiyono, 2020). The data triangulation process can increase the degree of confidence that the research results truly match the reality that occurs in the field.

FINDINGS AND DISCUSSION

Overview of the Hospitality Phenomenon in the Audit Process

Auditors in carrying out their duties cannot be separated from the auditee's cultural practice of hospitality as a form of respect and appreciation for guests. This hospitality can be good treatment, a warm attitude, even a meal, and sometimes souvenirs as a form of appreciation for good cooperation during the assignment (Setiawan & Wahyudi, 2022). Hospitality is carried out from the beginning of the assignment, during the assignment, and until the end of the assignment to maintain a good relationship between the auditor and the auditee. The hope is that with friendliness, auditors can work calmly and focus, and the audit process can run smoothly. The hospitality phenomenon in the case study is the provision of food and drinks in the office, food and drinks outside the office, gifts in food and snacks, and vehicles during assignments. Hospitality to the auditor by the auditee at the start of the assignment is normal and is actually a form of appreciation and a means of initial communication before starting the audit process.

Hospitality at the start of this assignment usually takes the form of a meal provided in the office and/or outside the office while conducting an initial interview describing the conditions existing in the company so that it can assist the auditor in planning and compiling an audit program. This hospitality occurred for a short and limited time so as not to reduce the portion of the total time for carrying out the audit, which was given a short implementation time target. Hospitality in a meal is usually also provided during the audit procession until the closing of the audit. Auditors have the authority to accept invitations for entertainment or refuse for various reasons, including independence and/or time reasons related to the target deadline for completing the audit report. As for hospitality, gifts in the form of gifts are usually given by clients to auditors after the completion of the audit process before or after the audit report is issued, with the aim of including an expression of gratitude for the audit process that has run smoothly.

Giving gifts from clients as hospitality with a value below the materiality limit to auditors is permissible, but if the gift is with the hope of influencing the decision on the audit results of the financial statements of the auditor who is given the gift, then the gift is not just an appreciation or token thank you (Bagaskoro, 2016). However, this is an attempt to obtain benefits from the auditor that will affect his integrity, independence, and objectivity, and this is an action that is not justified and is not in accordance with the code of ethics for the public accountant profession. Giving gifts and hospitality received by the auditor will have an influence on his credibility as a public accountant, where in his assignment he can make decisions objectively, but as a result of receiving the gift, it will make an auditor easily influenced so that he becomes a person who can be controlled. The code of ethics for the public accountant profession prohibits an auditor from accepting gifts from clients and from anyone who could influence him (IAPI, 2020). Auditors who have an independent attitude will always maintain themselves as honest and objective in their attitudes and assessments, and they will always protect themselves from various kinds of inducements, including gifts and hospitality from clients. In the audit process, reporting can consistently be objective, qualified, and trusted by interested parties (Nordin, 2022; Taki & Soroushyar, 2023).

Hospitality in the Auditee's Perspective

The auditee informant in this research is a financial manager at a multinational company in Indonesia that operates in the retail sales and aftersales sectors of automotive vehicles. This company is very concerned about internal control and mitigation efforts for company risks, both financial and non-financial. One of the preventive measures taken is to carry out routine internal audits carried out by an independent party (the audit department) with the aim of ensuring compliance with company regulations is carried out properly. Audit procedures are carried out by referring to standard operating

procedures (SOP) and other operational company policies. there are 100+ branches throughout Indonesia, and every year, more than 80% of branches undergo audit visits, while the other 20% undergo remote audits (confirmation by data). The determination of the schedule and branch visits to be audited is confidential. Audit visits are carried out suddenly so that branch officials (auditees) are not aware that an audit will occur. This aims to ensure that the audit assessment is carried out based on the results of direct observations in the field without any prior preparation, so that it can be photographed as it is.

During the observation of the audit process, the phenomenon of providing entertainment as a form of hospitality from the auditee to the auditor was seen. Every day, local food and snacks are always provided to introduce regional culinary delights to auditors, and occasionally they are invited to eat out at the central regional culinary. The auditee considers that this hospitality practice is normal as long as it is not excessive. This is in accordance with what Mrs. C follows:

"We provided a lunch for the auditor to introduce local culinary delights to the auditor. We think this is normal, and we do this for all guests, not only auditors, but all guests, such as when there are visits from government representatives, officials, and other partners".

Providing entertainment to guests is done in an effort to respect guests by providing reasonable and not excessive hospitality. This is in accordance with what Mrs. D said below:

"We entertain guests to honor guests and colleagues, including visiting auditors, with a reasonable and not excessive form of entertainment".

The limits of reasonableness in providing entertainment to auditors and other guests are based on the company's budget ceiling, which has been budgeted regularly. The company has set a budget limit for banquets of a maximum of IDR 1 million per expenditure. The total budget may differ from one branch to another, depending on the class and location of the branch. The company has given branch-class grades based on the number of sales in one year. Branch grading consists of branches A, B, C, and D. Branch A with the highest number of sales gets a higher banquet budget than branch classes B, C, and D.

Mrs. C, with branch type A, states that:

"We have budgeted for entertainment based on company direction with limits in accordance with established regulations. The banquet budget is intended to maintain relations with all parties, including customers, government officials, visiting guests, including visiting auditors, officials from the head office, and also employees, in order to provide motivation and appreciation for performance achievements"

Regarding the hospitality limit value in this company, it is almost the same as the limit value that applies to government agencies. The corruption eradication commission (KPK) states the materiality limits on the value of gifts and hospitality that are permitted and do not require reporting, including (KPK, 2020): a) gift from family, provided there is no conflict of interest; b) gifts as an expression of respect and a sign of love in the form of money or goods that have selling value in organizing weddings and other parties, with a limit of value per gift of a maximum of IDR 1 million; c) giving related to a disaster or disaster experienced by the recipient and their family is a maximum of IDR 1 million; d) gifts from fellow employees in the context of farewell, retirement, promotion, or other celebrations which are commonly carried out in a social context among co-workers with gifts not in the form of money or cash equivalent with a maximum value per gift of IDR 300 thousand per person, with a limit on the total gift of IDR 1 million for one year from the same donor; e) gifts to fellow employees are in the form of non-monetary gifts or cash equivalents with a maximum limit of IDR 200 thousand per gift per person, with a total gift limit of IDR 1 million for one year from the same giver; f) a generally accepted dish or serving.

Providing entertainment to auditors during the audit process is a common occurrence and is not due to a tendency to influence the auditor's independence in providing audit assessments. Auditee's role in providing data and confirming findings is still carried out professionally and without any negative tendencies. This is in accordance with what Mrs. D said:

"We uphold the professional aspects of the work of each section, including when we are audited. We act professionally by providing honest and valid data, as we do routinely in our operations. We confirm every piece of data and find it based on valid and accountable data"

Mrs C added:

"We, auditees and auditors, are working partners in the company, each with their own duties and responsibilities. We try to maintain a professional attitude towards our work by taking responsibility for our respective duties. Meals as a form of hospitality are one of our media for communicating to confirm each finding, and with which the auditor also conveys the audit results to us. We try to ensure that this communication is fluid and there is no tension between us so that the audit process can run smoothly".

Hospitality in the Auditor's Perspective

Internal auditing is an impartial, independent consulting and assurance practice that adds value and enhances an organization's operations. It does this by applying a methodical, disciplined approach to assessing and enhancing the efficacy of the organization's risk management, control, and governance procedures (The Institute of Internal Auditors Indonesia, n.d.). Internal auditors are responsible for ensuring operational compliance based on policies and standard operating procedures (SOP) implemented within the company. In carrying out their duties, auditors work independently and prioritize professional work to obtain quality audit results by presenting reports as they are (Zunaedi et al., 2022).

In carrying out the function of an independent auditor, auditors sometimes face potential problems of closeness with the auditee, which will affect their independence. One of the potential problems faced is the provision of hospitality from auditees in the form of meals or gifts. When an auditor receives an offer of inducement in the form of a gift or hospitality, with ethical considerations and the severity of accepting or rejecting based on conscience, so as not to fall into the practice of gratification, the auditor can choose to do the following: a) do not give an answer as to whether to accept the inducement or not; b) hand over professional service assignments received to auditor partners who are believed to be able to act independently and not be influenced in any way in the assignment process (Kampai, 2020).

Djusnimar & Dinata (2022) states that meal entertainment as a form of hospitality has no effect on auditor independence in audit assessments; however, Kiral & Karabacak (2020) holds the opposite view: auditor independence is reduced when receiving hospitality services from the auditee. Setiawan & Wahyudi (2022) state that hospitality, whatever its value, even if the value is below the reasonable limit, should not influence the audit assessment. This is because giving gifts and hospitality will affect their credibility and independence as an auditor.

This research presents two informants who work as internal auditors at multinational companies in Indonesia. Mr. A, as a senior auditor, has worked for more than 5 years, and Mr. B, as a junior auditor, has worked for less than 2 years. When asked his opinion about the hospitality provided by the auditee, Mr. A and Mr. B consider this to be normal and will not affect the professionalism of his work as an auditor. This is as stated by Mr. A:

"Personally, for me, meals and gifts from auditees are something normal, and this is usually given by branch officials when guests visit the branch, especially if there is a visit from the head office, whether for audits or other matters".

The following was also stated by Mr. B:

"Meals and gifts from auditees are something that is common practice; therefore, this will not affect the audit assessment".

Mr. A continued his explanation that there were almost no auditees who did not provide service and hospitality when he was carrying out audits at the branches that had been audited.

"There were almost none; even if there were, I don't think it was intentional, because on that day the branch officials and their team were very busy looking for documents needed by the auditors and clarifying things with their team, so they probably forgot to prepare lunch for us".

Throughout his auditory career, Mr. A and Mr. B have always been professional in their work. The service and hospitality received from the auditee do not affect their independence, from audit

preparation to the investigation process to reporting audit results. In accordance with the company's official travel facilities, for each auditor's visit, they receive food and transportation allowances, so it is sufficient without receiving entertainment services from the auditee. Mr. B stated:

"The meal does not affect our independence, and we continue to work professionally because we are also provided with pocket money from the head office as an official travel allowance. We can look for lunch out that is not far from the branch office".

Mr. A stated that there was an era when the board of directors prohibited hospitality practices for any head office official who visited the branch office. This is due to the company's cost-efficiency program and also applies to hospitality expenditures from branches. Mr. A states:

"That's right, different leaders have different policies. He has lived through an era of directors who focused on operational efficiency policies, and he understands that the gifts and entertainment given to auditors must come from branch officials. On the basis of efficiency, he forbade accepting it. This is not only for auditors but also for head office teams who visit branches. When this policy was issued, no branches would send food to the head office anymore".

Mr B added:

"It seems that this is more personal, because on several occasions, for company efficiency purposes, auditors are directed to use branch operational vehicles as auditor transportation during the audit process, so that they can be more efficient and not cause inconvenience to branch officials".

In order to maintain the professionalism of the auditor's work and maintain independence from potential influence from the auditee, Mr. A suggested that the company issue policies and regulations regarding providing entertainment to auditors.

"It is necessary to create a policy limiting the provision of hospitality to auditors so that it does not affect the professionalism of the auditor's work and applies not only to auditors but also to all head office officials who visit branch offices".

SUMMARY

This paper aims to analyse the influence of hospitality on independence and the quality of audit results based on the viewpoints of the auditor and auditee. There are similarities in views between auditors and auditees regarding the hospitality aspect. Auditors consider that hospitality, although it cannot be generalized to all auditors, will not interfere with their independence in the audit process and assessment of audit results. Auditors who have an independent attitude will always maintain themselves as honest and objective in their attitudes and assessments, and they will always protect themselves from various kinds of inducements, including gifts and hospitality from auditee. In the audit process, reporting can consistently be objective, qualified, and trusted by interested parties. The auditee is also of the view that hospitality is one aspect of service from the "host" to the "guest", with service limited to reasonableness in accordance with local customs and culture. The auditor and auditee consider that they are partners who maintain a professional work attitude, and friendliness is one of the media for communication in confirming each finding and conveying audit results. The implication of this research is the increased awareness of the importance of maintaining auditor independence and audit quality in the face of hospitality situations, as well as the necessity for developing clear company policies regarding the provision of hospitality services to auditors. This paper contributes to increasing literacy regarding the influence of hospitality on the independence and quality of audit results and provides consideration to companies as a basis for policy in responding to providing hospitality to auditors in the audit process. The limitation of this research is that it cannot generalize the findings because it uses subjective qualitative methods related to the context of the informant's background and the culture in the company. Therefore, further research suggestions include comparative research using a quantitative approach so that the results can be generalized. Longitudinal studies can also provide dynamic insight into the development of relationships between auditors and auditees over time, while involving the perspective of external parties such as regulators can provide a more comprehensive picture.

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