

Do Work Experience, Independence, Auditor Competency, And Time Budget Pressure Matter On Audit Quality?

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Abstract

This study aims to identify and analyze the effects of work experience, independence, time budget pressure, and competency on audit quality. Data was collected using a survey method by distributing 52 questionnaires to all auditors working in South Jakarta City. All auditors of Public Accounting Firms (KAP) located in South Jakarta are the population in this study. The data analysis technique used in this research is descriptive statistics, multiple regression test, classical assumption test, hypothesis testing, and coefficient of determination test. The results showed that Work Experience, Competence, and Time Budget Pressure partially affected Audit Quality, while Independence did not affect Audit Quality.

Keywords

Work experience; competence; independence; time budget pressure; audit quality.



I. Introduction

The public accounting profession has a vital role in conducting examinations and assessments of the fairness of financial statements in an organization, agency, or company to be interpreted as a profession that gains a lot of trust and attention from the public. From the public accounting profession, the public expects a free and impartial assessment of the information presented by the company's management in the financial statements (Mulyadi, 2002). In addition to the management who wants a quality audit report, an auditor who works at a Public Accounting Firm (KAP) also wants the financial statements they audit to have good quality. This is because the suppose financial statements that need to be audited are free from material misstatement and can be relied by users of financial statements.

Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

In Indonesia, there are many KAPs in individual entities and partnerships. KAPs with partnership business entities can also affiliate with foreign KAPs or Foreign Audit Organization (OAA) to develop their professional services market. The audit quality of a KAP cannot be judged only from the reputation of the KAP, but from how the audit process can be carried out professionally from the KAP Auditor, Company Management, and the company's Audit Committee as supervisor. An unprofessional engagement relationship will reduce an independent audit report, which in turn, leads to criminal actions. Based on the problems, the researchers tried to examine the relationship between work experience, independence, auditor competence, and time budget pressure on audit quality.

In this study, we will re-examine several things, as follows:

- 1) Does the work experience of auditors affect audit quality at KAP in South Jakarta?
- 2) Does the independence of auditors affect audit quality at KAP in South Jakarta?
- 3) Does the competency of auditors affect audit quality at KAP in South Jakarta?
- 4) Does the time budget pressure of auditors affect audit quality at KAP in South Jakarta?

II. Review of Literature

2.1 Audit Quality

Based on the Public Accountant Professional Standard (SPAP), an audit carried out correctly is called good quality if it meets the provisions or audit standards. In the KAP Indicator Guide issued by IAPI through the Decision of the IAPI Management Board No. 4 of 2018, the quality of audit constitutes several steps, as follows:

- a. Auditor competence;
- b. Ethics and independence;
- c. Use of key engagement personnel's time;
- d. Engagement quality control;
- e. Results of quality reviews or inspections of external and internal parties;
- f. Engagement span of control;
- g. KAP organization and governance; and
- h. Service fee policy.

2.2 Auditor Work Experience

The Indonesian Accounting Association (IAI) explained the meaning of continuing education as continuous learning activities taken by an accountant so that they can always maintain, improve, and develop their professional abilities. As stipulated in Law No. 5 of 2011 concerning Public Accountants and its implementing regulations through the Decree of the Minister of Finance Number 443/KMK.01/2011 concerning the establishment of the Indonesian Institute of Certified Public Accountants (IAPI) as the Association of Professional Public Accountants, Continuing Education and Training (PPL) is held to encourage both a healthy and conducive environment in the work environments and an independence for the Public Accountant profession, to maintain the dignity of the Public Accountant profession and public trust, to protect the public interest and Public Accountants, as well as to expedite the realization of good governance in Indonesia.

Experience can influence the auditor's attitude in overcoming the short engagement period and maximizing time power to be efficient during the implementation of the engagement. This relates to how an experienced public accountant and the auditor can manage the promised work time to be efficient and manage stress so as not to interfere with the assignment process, prevent audit delays, and continue to apply audit procedures according to standards (Sarwoko & Agoes, 2014).

2.3 Independence

Independence is one of the main requirements for an independent auditor to carry out his responsibilities in terms of audit services and to express an opinion on a company's financial statements. In addition, independence is also a significant factor in determining the quality of audit services provided by an independent auditor. In the Code of Ethics for the Professional Public Accountant issued by IAPI (Kode Etik Profesi Akuntan Publik, 2021), independence can be classified into two aspects, namely:

- a. Independence in thought.

b. Independent in appearance.

Following the professional code of ethics compiled by IFAC (International Federation of Accountants), independence is part of one of the fundamental principles of the accounting profession's code of ethics, namely objectivity. In the code of ethics of the accounting profession, objectivity is a fundamental principle that requires an auditor to be unbiased, free from conflicts of interest and other influences that can override professional judgment.

Auditors are required to maintain an independent attitude in providing attestation services to clients, where one of the functions of the service, namely auditing, is to offer services to examine the conformity of the client's financial statements with the applicable SAK financial reporting standards. Maintaining independence will be a challenge for public service actors to provide independent services and maintain audit quality or retain clients they think are influential and make independence a mere formality (Suseno, 2013). Pressure in the form of time limits for processing and different characters on the client's part can be a challenge and a threat to auditor independence.

2.4 Competency

According to Lasmahadi (2002), competence is defined as the personal aspects that enable him to achieve superior performance. These individual aspects include traits, motives, value systems, attitudes, knowledge, and skills, where competence will direct behavior while behavior will produce performance. Competence is also knowledge, skills, and abilities related to work and skills needed for non-routine jobs. The definition of competence in auditing is often measured by experience (Mayangsari, 2003).

In principle, a public accountant office and an auditor must understand how to apply each standard in SPAP for each different service they provide to their clients. However, one thing that must be noted is that audit services and other services have different purposes, it is also not permitted for Public Accountants and Public Accountants to assign auditors or their employees to provide audit services and other non-attestation services for the same period to the same client because this will reduce the reliability of the resulting report (Yumi et al., 2019).

Motivation comes from the Latin word *movere* which means drive or driving force. Motivation in management is only aimed at human resources in general and in particular subordinates (Purba and Sudibjo, 2020).

2.5 Time Budget Pressure

Time Budget Pressure arises due to limited resources to carry out and complete audit tasks where the auditor is required to make efficient in the time budget. The existence of time pressure requires the auditor to complete the job as soon as possible under the time budget that has been set. Of course, the implementation of this audit procedure will not produce the same results if the audit procedure is carried out in conditions without time pressure. Therefore, time budget pressure becomes a crucial point when planning an audit.

Time constraints on audit work can form a time-alert attitude in the auditor's mind. This affects the stress pattern at the beginning of task planning until the audit report submission deadline. The audit period will initially be planned and estimated before the engagement, considering the various risks that the auditor may encounter during the ongoing audit. Time and resource management are important points to determine the quality of the audit results that will be provided (Supriyatin et al., 2019). Therefore, consideration of risk, working time, and the audit team to be assigned must be planned to maintain and improve the audit quality of the KAP.

2.6 Conceptual Framework

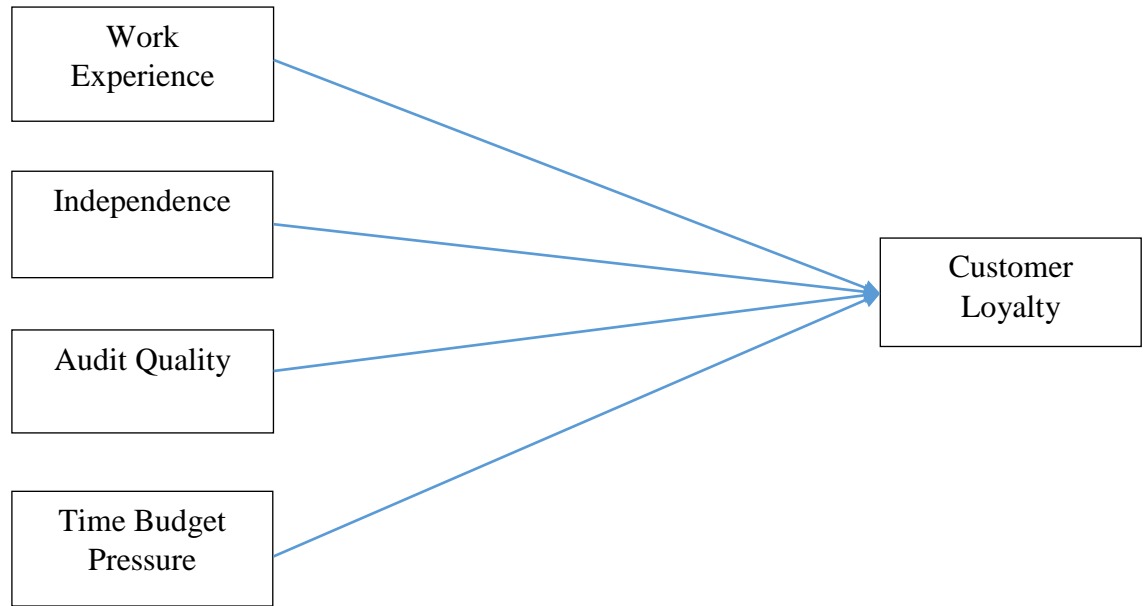


Figure 1. Conceptual Framework

2.7 Hypothesis

The hypotheses in this study include:

- H1. Auditor work experience has a positive effect on audit quality
- H2. Independence has a positive effect on audit quality
- H3. Competence has a positive effect on audit quality
- H4. Time budget pressure has a positive effect on audit quality

III. Research Method

The research object is the level of auditor work experience, auditor independence, auditor competence, time budget pressure, and audit quality of KAP in South Jakarta. Data to be used in this study is primary data in the form of questionnaire. The questions and statements written in the questionnaire for each variable in this study were measured using an ordinal scale (Likert). Respondents can choose the answer, made up of score levels, with the highest score of 5 (five) and the lowest is 1 (one).

Table 1. Variables, Indicators, Measurement

Variable	Dimensions	Indicator	Measurement
Auditor's work experience (X ₁)	Auditor Competency Level with the approach of experience results in a certain number of working hours	a. Length of auditor working b. Number of types of assignments that have been handled c. Number of types of companies that have been audited	Ordinal Scale (Likert)

Auditor Independence (X ₂)	Conflict of interest between the auditor and the client during the implementation of financial statement testing (attestation)	<ul style="list-style-type: none"> a. Auditor's understanding and implementation of the Code of Professional Ethics b. Client pressure c. Non-audit services provided to clients 	Ordinal Scale (Likert)
Auditor Competence (X ₃)	Auditor's understanding of clients and the ability to implement a code of ethics and professional standards with the knowledge possessed by the auditor.	<ul style="list-style-type: none"> a. Education and training b. Understanding of SAK, c. SPAP and Code of Professional Ethics d. Work experience 	Ordinal Scale (Likert)
Time budget pressure (X ₄)	Pressure in doing work and subsequently can affect work behavior	<ul style="list-style-type: none"> a. Timeliness of audit work b. Completeness of audit evidence collected c. Auditor attitude towards time budget existing and the implementation of audit procedures. 	Ordinal Scale (Likert)
Audit Quality (Y)	Reliability of audit reports produced	<ul style="list-style-type: none"> a. Auditor competence; b. Ethics and independence; c. Use of key engagement personnel's time; d. Engagement quality control; e. Results of quality reviews or inspections of external and internal parties; f. Engagement span of control; g. KAP organization and governance; and h. Service fee policy. 	Scala Ordinal (Likert)

Source: Kode Etik Profesi Akuntan Publik, (2021)

IV. Result and Discussion

Table 2. Hypothesis Testing Partial Analysis (t-test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	.572.032	1,262		2,207	(Constant)
Work Experience	.178 .530.006			2,880	.512
Independence	-.373	.198	-.278	-1885	.066
Competence	.323.035	.121		2,176	.264
Time Budget Pressure	.308	.113	.293	2,721	0,009

4.1 Effect of Work Experience on Audit Quality

Based on statistical analysis using SPSS software ver. 25, it was found that work experience had a significant effect on audit quality with a t_{count} value of work experience variable 2.880 ($t_{\text{count}} > t_{\text{table}}$), with a significant 0.005 (sig. < 0.05), then auditors who have more work experience will be able to understand and solve various problems in their work by considering complex matters properly because the longer the tenure of an auditor and the more assignments that are carried out and the training that is followed, increases his ability to handle an audit task. With the results of this study, the first hypothesis, which states that work experience has a positive effect on audit quality, can be accepted. Thus, the results of this study support the previous research by Fatmawati et al. (2020); Safaroh et al. (2016); Sarca & Rasmini (2019); Savitri & Dwirandra (2018)

4.2 Effect of Independence on Audit Quality

The second hypothesis states that independence has a positive effect on audit quality with the t_{count} value of the independence variable -1.885 ($t_{\text{count}} < t_{\text{table}}$), with a significant 0.066 (sig. > 0.05). The research findings prove that independence does not affect audit quality, so the second hypothesis in this study is rejected. Based on statistical analysis using SPSS software ver. 25, the results are inversely proportional to the second hypothesis because based on SPAP, a quality audit is provided by an independent auditor.

The results of this study do not necessarily state that the auditors who are respondents to the research questionnaire do not have an independent attitude. Judging from the results of questionnaire data collection, auditors' respondents try to maintain their independence in thoughts, attitudes, appearance, and actions. This may be because the majority of the sample are junior auditors who do not have sufficient experience to be used as indicators in determining audit quality. Other factors indicate the cause of the decrease in auditor independence in this study, namely the possibility of pressure from the client, which causes concern if the new audit engagement has terminated before the audit report is released or if the client no longer gives audit trust to their KAP. In addition, from the results of the questionnaire data collected, there is a tendency for respondent auditors to be unable to refuse client requests to provide non-audit services for the period adjacent to the audit period, such as non-assurance attestation services. Thus the results of this study support the previous research by Fahdi (2018); Meidawati & Assidiqi (2019); Tjun et al. (2012); Triana & Sugiyanto (2017) which also show that the results of research on independent variables are not able to affect audit quality. The results of this study also

cannot support research from Iskandar & Indarto (2015); Nugrahadi & Sukiswo (2019); Oktarini & Ramantha (2016); Rizal & Liyundira (2016); Sarca & Rasmini (2019) which, stated the positive influence of the independent variable on audit quality.

4.3 Effect of Competence on Audit Quality

Based on statistical analysis using SPSS ver. 25, it was found that competence has a significant effect on audit quality with the t_{count} value of the work experience variable 2.176 ($t_{\text{count}} > t_{\text{table}}$), with a significant effect of 0.035 (sig. < 0.05), so the third hypothesis which states that competence has a positive effect on audit quality can be accepted. The higher the competence of the auditor, the better the audit quality because the auditor's skills and understanding of audit implementation also increase along with the more experience, education and ongoing training the auditor gets. Thus the results of this study support previous research by Fahdi (2018); Nugrahadi & Sukiswo (2019); Tjun et al. (2012); Triana & Sugiyanto (2017) which, also showed the results of a positive influence between competency variables on audit quality.

4.4 Effect of Time Budget Pressure on Audit Quality

Based on statistical analysis using SPSS ver. 25, it was found that time budget pressure had a significant positive effect on audit quality with the t_{count} value of the work experience variable 2,721 ($t_{\text{count}} > t_{\text{table}}$), with a significant 0.0095 (sig. < 0.05), so the fourth hypothesis which states that time budget pressure has an effect positive impact on audit quality is acceptable. Time budget pressures encourage auditors to carry out audits on time and better management of time and resources to prevent audit delays, because good audits are not carried out for too long, so that audit reports can be relied on by users of financial statements, unless a follow-up examination persists. Thus the results of this study support previous research by Meidawati & Assidiqi (2019) and Safaroh et al. (2016) who also stated that the results of research on the positive effect of time budget pressure on audit quality. This study does not support research by Elizabeth & Laksito (2017) which shows the negative effect of time budget pressure on audit quality, and research by Oktarini & Ramantha (2016) and Rizal & Liyundira (2016) which showed that there was no significant effect of the research on the variable time budget pressure on audit quality.

V. Conclusion

Based on the results of data analysis and discussion in the previous chapter, several conclusions can be drawn from this study. First, the work experience variable has a significant positive effect as one of the supporting factors in auditing quality testing. Second, the independence variable should build a good audit quality, but in this study, the results showed that there was no insignificant effect in the test on audit quality. Third, the competence variable has a significant positive effect as one of the supporting factors in testing audit quality. Last, the variable time budget pressure has a significant positive effect as one of the supporting factors in testing audit quality.

So it can be concluded that auditors who have the experience that supports their competence and expertise will be able to implement the independent attitude learned as practical ethics in conducting audits of various types of client financial statements, as well as their skills and expertise that develop along with increasing work experience and competencies that will improve their performance, assisting the auditor in managing the time in conducting the audit process to be efficient, able to implement audit procedures with proper planning, to prevent the risk of audit delay in maintaining audit quality.

For further research, it would be better if the questionnaire respondents focused on more experienced auditors. The answers given to the variables in the study gave positive values and gave better results.

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