

INFLUENCE OF WORK EXPERIENCE, INTEGRITY, OBJECTIVITY AND COMPETENCE TOWARD AUDIT QUALITY AT PUBLIC ACCOUNTING FIRM IN SURABAYA

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Abstract--The purpose of this research is to analyze the influence of work experience, integrity, objectivity, and competence toward audit quality at public accounting firm in surabaya. The object of this study is independent auditor that working at public accounting firm in surabaya with the position from junior level to senior level. The primary data that processed is data from questionnaire that has been distributed to 60 auditor as respondent. This study use data from 2017 and the questionnaire is distributed in 2018. The result of this study shows that work experience and integrity has significant influence and positive correlation toward audit quality. On the contrary, objectivity has not significant influence but positive correlation toward audit quality. Then, competence has not significant influence and negative correlation toward audit quality.

Keywords: audit quality, work experience, integrity, objectivity, competence

Pendahuluan

In the accounting profession, audit plays an important role in serving the public interest. The role is to increase manager accountability, strengthen investor confidence and make financial reporting more convincing. In line with changes in the business world, management must respond with the changes, especially in protecting the interests of shareholders. Auditing is used as a guarantee for investors who base their trust on financial reporting. In conducting the audit, an auditor must have a good personal quality, adequate knowledge, as well as specialized expertise in the field (Bouhawia, 2015).

High-quality audits are an essential part of the business. If shareholders, directors, and public see the audit process is not good, it can give impact on the stability of companies as well as in the audit profession. Audit quality is one of criteria that used to ensure financial reporting is reliable (Kuntari, 2017). Shareholders and investors in assessing reliability, trust, and accountability of a company will see from the audit report because they assume that the auditor authorized the financial statements based on objective opinions, independence, and competence of the auditor (Mironiue *et al.* 2013).

A work experience provides a great opportunity for someone to do a better job because they already familiar with the job. This statement support by prior research

(Bouhawia, 2015) stated long tenure of audit job leads to an auditor gaining more general professional experience, which in turn enables the auditor to acquire more competence. Integrity is a character that is fundamental for professional recognition, which is the quality that makes the emergence of public trust that requires auditors to be honest in terms of confidentiality (Arens, 2014). Objectivity is an obligation for the auditor to be impartial, intellectually honest, not prejudiced or able and free of conflict of interest or under the influence of another party (Agoes, 2004). Professional competence and due care is related to auditor's obligation in maintain the professional knowledge and expertise to guarantee provide professional services that are competent to clients (IAPI, 2011).

The example of well-known case that occurred in 2001, which related to the auditor's ethics involves the big certified public accountant Arthur Andersen. This case became phenomenal due to the bankruptcy of the Enron, revealed the existence of planned activities such as accounting fraud and corruption that been covered by the CPA Arthur Andersen by removing the documents investigated (Alteer *et al.* 2013). Accounting scandals in recent years is as proof that audit failures can have serious consequences both for the auditor and company. The number of accounting scandal cases that occurred in well-known company companies both in Indonesia and abroad that involving auditors made the public and users of financial statement doubt the credibility of auditor and quality of audits that been conducted by public accountants. Previous cases of violations of the ethical code shows that in practice there are still many auditors who do not carry out the audit process in accordance with regulated ethics.

Based on prior research by Bouhawia (2015) proved that work experience has significant influence toward quality of audit. Also, research by Lestari *et al.* (2015) stated that work experience has influence toward audit quality. But in other hand, research by Budi *et al.* (2004) and Oktavia (2006) stated that work experience has not influence the quality of audit. Based on prior research by Rahmawati (2017) stated that competence has significant influence toward audit quality. Study by Watkins *et al.* (2004) proved that auditor competence can find and eliminating material misstatement and manipulation in financial statements effect on audit quality. But it's not in line with research by Nuraini (2014) and Candra *et al.* (2015) that stated competence has not significant influence toward audit quality.

Therefore the writer is interested in examining the relationship between work experience, integrity, objectivity, and competence whether it has significant influence toward tquality of the audit produced or not. Overall, this research is conducted to find out the factorsthat are still inconsistent in prior research.

THEORY

Audit

Audit is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria (Arens, 2015). According to Mulyadi (2010), audit is a systematic process to obtain and evaluate evidence about statements, economic activities and events objectively, with the aim of determining the degree of conformity between the statements and the criteria that have been set, as well as the delivery of results to interested users.

Audit can enhance the degree of confidence of intended users in the financial statements. This is achieved by auditors gathering sufficient appropriate audit evidence in order to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework (IAASB, 2013).

Code of Ethics

Auditors need to understand both the requirements and the fundamental principles underlying them and understand how to apply them in practice because ethics requirements cannot address all possible situations. An understanding of how to apply the principles can be developed through internal communications within the audit firm and through on-the-job training. Code of ethics sets the basic principle and professional ethics rules that must be applied by every individual in the public accounting firm, both those who are members of the Indonesian Public Accountants Association (IAPI) and those who are not members of IAPI, who provide professional services which includes assurance services and services other than assurance as stated in professional standards and professional codes of ethics (IAPI, 2008).

Audit Quality

Audit quality is the form of the ability of an independent auditor to decrease abnormalities of the reflected information in the financial statements and the increased in the accuracy of the information (Wallace, 1980). In addition, Coram & Woodcliff (2003) stated that the quality of audits can be seen from the level of compliance auditor in implementing various stages that should be implemented in an audit, while according to the Institute of Indonesia Chartered Accountant (IAI) stated that audits conducted by auditors are to be qualified, if it meets auditing standards and standards of quality control. Therefore, Auditors and accounting firms perform development learning by making continuous improvements

that shows the learning characteristics of an auditor, where the main knowledge is gained through education and training about accounting and audit program, communication or interaction with external environment such as clients and others or between auditors.

HYPOTHESIS

1. Work Experience has significant influence toward Audit Quality

The more work experience of auditor means that auditor have more experience in audited many types of companies that will provide more varied knowledge and expertise for the auditor (Dwi Ananing, 2006). Also, refers to Bouhawia *et al* (2015) stated that work experience of auditor has influence and positive correlation toward audit quality because auditor more familiar in handle audit task that will give opportunity for auditor todo a better job. So it can be concluded that the longer the service life of the auditor, it will produce a more high quality audit. Because the longer experience of auditor during the work, it makes auditor more careful and not make the same mistakes.

H1: Work experience has significant influence toward Audit Quality

2. Integrity has significant influence toward audit quality

Integrity is one of professional recognition which is the quality that makes the emergence of public trust that requires the auditor to be honest and be frank in terms of confidentiality. Auditor must be able to be frank because the report will be read by the user of information containing the facts that exist. The independent auditor needs a public trust, with such an attitude, it means that if there is fraud occur independent auditors must be responsible and assertive to report the existence of such fraud. If principle of integrity can be carried out by an independent auditor, then fraud that occurs can be prevented so that good audit quality can be achieved.

H2: Integrity has significant influence toward audit quality

3. Objectivity has significant influence on audit quality

Objectivity is a characteristic that distinguishes the accounting profession from other professions. The principle of objectivity establishes an obligation for the auditor to be impartial, intellectually honest, and free from conflicts of interest (Agoes, 2012). Refers to Sukriah *et al.* (2009), objectivity require the auditor to not be prejudiced and free from conflict of interest. This means that an independent auditor in carrying out objectivity must be able to report errors made by the client without any influence from

outside parties. In other words, the principle of objectivity obeyed by independent auditors has an impact on audit quality

H3: The principle of objectivity has significant influence on audit quality

4. Competence has significant influence toward audit quality

A competent auditor will do the job easily, quickly or not make a mistake, and supported with knowledge, then the quality of audit results made will increase (Sayandra, 2015). Refers to Astuti *et al.* (2016) competency can be influenced by knowledge and experience of the auditor. Most of auditor that in undergraduate education is only given the provision of auditing material based on theory. So auditor needs to take continuous professional education to improve their capability. It can be concluded that the higher the competence of an auditor it will produce more qualified audit results.

H4. Competence has significant influence toward audit quality

RESEARCH METHOD

Operational Variable Definition

The dependent variable and independent variable is assessed using likert scale in four levels 1=Very Disagree; 2 = Disagree; 3 = Agree; 4 = Very Agree

Dependent Variable

The dependent variable used in this study is audit quality. Audit quality is measured through experience in doing the audit, understanding the client industry, being responsive to client needs, obey the general standards, having strong commitments, and skepticism.

Independent Variable

Independent Variable of this research is work experience, integrity, objectivity and competence. Work experience, integrity and competence variable is taken from prior research by Bouhawia (2015). Objectivity is new variable added to know is there any relationship that affects the quality of audit.

Populations, Sample, and Sample Technique

Target population of this study is auditor that worked in public accounting firm in Surabaya. Questionnaire will be distributed to every staff level in each public accounting firm. This research used simple random sampling methods that give the same opportunity for each member of the population to be selected to be sample.

ANALYSIS DATA

The data will be processed by test the validity of the data using the formula of Pearson, used Cronbach’s Alpha Method to test the reliability, F test is used to test simultaneously between the independent variable and dependent variable, and t test is used to determine the partial effect of the independent variable with the dependent variable.

RESULT AND DISCUSSION

The object of this study is auditors who are at junior to partners level with minimum education background are bachelor degree and work at KAP in Surabaya. The total population of respondents is approximately 500 auditors from 41 KAP in Surabaya. From the total population, researchers obtained a sample of 60 respondents that meets the criteria. This is the following table of the detail distribution of questionnaires used as the object of research

Table
Research Sample Selection

Description	Amount	%
Number of questionnaires distributed	76	100%
Number of questionnaires that not returned	15	19.74%
Number of questionnaires that cannot be processed	1	1.32%
Number of questionnaires that meet the criteria	60	78.95%

Table

Respondent Profile

Description	Amount	%
Gender:		
Male	39	65%
Female	21	35%
Age:		
20 – 30	52	86.7%
31 – 40	6	10%
41 – 50	2	3.3%
51 – 60	0	0%
Education:		
Bachelor (S1)	55	91.7%
Magister (S2)	5	8.3%
Doctor (S3)	0	0%
Position:		
Junior	51	85%
Senior	7	11.7%
Manager	2	3.3%
Partner	0	0%
Work Time:		
1 – 3 Years	35	58.3%
3 – 5 Years	18	30%
> 5 Years	7	11.7%

t test

Regression	Dependent Variable	Independent Variable	t	Sig
I	KA	(Constant)	3.532	0.001
		PK	1.765	0.083**
		I	2.159	0.035*
		O	0.098	0.922
		K	-0.071	0.944

Source: Data Processing

*t test at $\alpha = 5\%$

** t test at $\alpha = 10\%$

According to table, it shows that working experience (PK) has significant influence toward audit quality with significance value less than 0.1. So, it can be concluded that working experience has partial influence toward audit quality (KA).

For integrity (I), it shows that I has significant influence toward audit quality with significance value less than 0.05. So, it can be concluded that integrity has partial influence toward audit quality (KA).

Meanwhile for objectivity (O) and competence (K) has not partial influence toward audit quality because the significance value is more than 0.05 and 0.1.

Based on the test results, researchers can find out whether the hypothesis described in the previous chapter was accepted or rejected. This is the conclusion of the study:

1. H1 Accepted, from the result we can conclude that the experience gained by an auditor will be able to improve professional judgment in auditor inquiry, which is closely related to the professionalism of an auditor. The auditor's experience will continue to increase along with the increasing number of audits carried out and competence of auditor, so that it will expand their knowledge in the field of accounting and auditing that can affect the quality of audit. Hypothesis test results H1 explain Work Experience has significant influence and positive correlation on audit quality and the researcher stated that H1 was accepted H2 Accepted, from the results we can conclude that integrity is important

and as an auditor to have a good character, honesty and be straightforward is a must. The moral character that auditor must possess in carrying out his performance can help obtain good audit quality. This means that the principle of integrity, which is a measure of what is right, decisive, honesty, transparency, courageous, and responsibility in carrying out audits, conducted by auditors turns out to have a significant effect on audit quality. Hypothesis test results H2 explain integrity has significant influence and positive correlation on audit quality and the researcher stated that H2 was accepted.

2. H3 Rejected, from the results, we can conclude that objectivity of an auditor in carrying out his duties still have no influence, because most of respondent is junior auditor that in perform the audit still under control of the superior and some of auditor still affected by conflict of interests, or the influence of pressure by the client in carrying out his role in duty so that it does not help an auditor in achieving good audit quality. Hypothesis test results H3 explain integrity has not significant influence but there is positive correlation on audit quality and the researcher stated that H3 was rejected.
3. H4 Rejected, So we can conclude that high knowledge auditors have many advantages, namely the auditor's sensitivity in analyzing the findings obtained during the audit process, more accurately knowing errors, and knowing non-typical errors. A high level of education will be able to make auditor competence in produce better and quality audit findings. Hypothesis test results H4 explain competence has not significant influence and negative correlation on audit quality and the researcher stated that H4 was rejected.

CONCLUSION

1. The experience gained by an auditor will be able to improve professional judgment in auditor inquiry, which is closely related to the professionalism of an auditor. High knowledge and lot of experience, the better quality of the audit produced because experienced auditors will find it easier to find items in the audit process. The auditor's experience will continue to increase along with the increasing number of audits carried out and competence of auditor.
2. As an auditor it's important to have a good character in honesty and confidence. The moral character that auditor must possess in carrying out his performance can help obtain good audit quality. This means that the principle of integrity, which is a measure of what is right, decisive, honesty, transparency, courageous, and responsibility in carrying out audits, conducted by auditors have a significant effect on audit quality.

3. Objectivity of an auditor in carrying out his duties still have no influence, because some of auditor still affected by conflict of interests, or the influence of pressure by the client in carrying out his role in duty so that it does not help an auditor in achieving good audit quality.
4. Competency is measured through two indicators, namely the knowledge and experience of the auditor. Because work experience determine the audit quality, it means high knowledge and lot of experience will produce the better quality of the audit. The respondents are mostly still in junior level. In an audit team, junior auditors need supervision from superior auditor level to avoid mistakes during the audit process. Junior. So, it makes competence has not significant influence toward audit quality because most of respondent still in junior level with work experience less than 3 years.

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