

Effect of Independence, Time Budget Pressure, and Auditor Ethics on Audit Quality

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Abstract— Audit quality is very important because the results of the audited financial statements will be used as a decision-making tool by users of financial statements, such as investors and creditors. Audit itself is a service, which quality is influenced by people who carry out the audit process, namely the auditor. Our research studies what factors can influence the quality of audits. We use three independent variables: independence, time budget pressure and audit ethics. Our research is quantitative research; the data we use are primary data from the results of questionnaires. Our respondents are auditors who work at public accounting firms in Jakarta. We use an analysis technique called ordinary least square, we test using regression analysis to determine whether the variable is influential or not. Our results state that auditor independence and ethics influence while time budget pressure does not affect audit quality

Keywords— Auditor, Ethics, Quality, Time, Budget, Pressure, Independence

I. INTRODUCTION

In the current development in Indonesia there is very tight competition between companies. The more companies that w 12453 ach company make financial reports that are relevant and reliable, so that audits of financial st ng. The trust of the parties concerned is very important for companies to go public. However, now a handful of people have lost their trust in auditors. This condition is caused by the circulation of accounting scandals that occurred between public accountants and their clients. So affect the performance and quality of audit results. The trust of users of financial statements will return if the audit ethics are carried out properly and the auditors conduct audits in accordance with the audit code of ethics and applicable accounting standards. In conducting an audit, the auditor is not only for the benefit of the client, but also for other parties with an interest in audited financial statements, such as potential investors, investors, creditors, government agencies, the public, and other parties involved to assess and make strategic decisions related to the company. In this case, public accountants are responsible for providing adequate confidence and opinions about the reasonableness of the financial statements.

[1] argue that auditor independence assessments need to focus more on the level of an individual office than on the entire level of the company because most of the audit decisions with certain clients are made in each individual office. With the independence of an auditor in conducting an audit, it will prevent the occurrence of accounting scandals between public accountants and their clients so that the trust users of the report will return because the users believe that the auditor will act honestly, impartially, and provide audit reports in accordance with what happened to the company . Trust in quality audits will decrease if the accountant does not carry out the duties and responsibilities that should ensure the credibility of the financial statements.

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Time Budget Pressure is the pressure for the auditor in completing his duties and responsibilities in accordance with the target time which is partly generated from bids on audit contracts [2]. Time budget pressure has positive and negative effects on audit quality.

The time pressure experienced by the auditor in carrying out the audit also greatly affects the quality of the audit. The high time pressure in conducting audits makes auditors increasingly improve efficiency in auditing so that often the audit conducted by the auditor is not always based on procedures and planning in accordance with applicable regulations. Auditors in conducting audits are required to be able to complete their work on time in accordance with the time agreed with the client.

Considering the role of auditors is highly needed by the business community, auditors have an obligation to maintain their standards of ethical behavior towards the organizations where they work, their profession, society and themselves [3]. In general, ethics is a moral principle and acts which are the basis of one's actions so that what they do is seen by the public as commendable and increases one's dignity and honor including in improving audit quality [2]. Every auditor is expected to uphold the professional ethics set by the Indonesian Institute of Accountants (IAI), so that the situation of unfair competition can be avoided. Accountant ethics becomes a very interesting issue. This is in line with the occurrence of several ethical violations committed by accountants both independent accountants, internal company accountants and government accountants [4].

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

AUDIT QUALITY

[5], defines audit quality as a valuation by the market where there is a possibility that the auditor will provide the discovery of a violation in the client's accounting system and the violation in its recording. The possibility that the auditor will report any reports of misstatements has been detected and is defined as auditor independence. Therefore, based on this definition audit quality is a function of the auditor's ability to detect reports of misstatements and auditor independence that is valued by the market. [6], said that audit quality is a systematic and independent examination to determine activities, quality and results in accordance with planned arrangements and whether the arrangements are implemented effectively and in accordance with the objectives. [7], states that there are various dimensions of audit quality. This can be seen from the relationship between the components of audit quality that is the product produced from audit quality and its effect on financial statement information [8].

EFFECT OF INDEPENDENCY ON AUDIT QUALITY

Independence is the attitude of the auditor who is impartial, does not have personal interests, and is not easily influenced by those who have an interest in giving opinions or conclusions, so that the opinions or conclusions are given based on high integrity and objectivity. According to [3], independence is an attitude that is free from persuasion, influence, or control of the party being examined.

Auditor independence is an important factor for producing quality audits. It is because if the auditor loses his independence, the audit report that is produced does not match the reality so that it cannot be used as a basis for decision making [9]. From the opinion above, the researcher proposes the following hypothesis:

H1: Independence has a significant effect on audit quality

EFFECT OF TIME BUDGET PRESSURE ON AUDIT QUALITY

Time budget pressure will reduce the level of audit quality [10]. According to [11] the quality of the audit is declining due to the unrealistic budgeted time and very tight time budget.

The time budget is prepared based on the estimated time that will be needed in each step of the audit program for each auditor assigned in accordance with routine assignments. [4], found that the less time provided by the auditor. This is consistent with the statement of [12] which states that when faced with time budget pressure, the auditor will respond in two ways, namely, functional and dysfunctional. [13] states that the greater the auditor's time budget pressure will decrease the quality of the resulting audit. From the opinion above, the researcher proposes the following hypothesis:

H2: Time budget pressure has a significant effect on audit quality

EFFECT OF AUDITOR ETHICS ON AUDIT QUALITY

According to [3], an auditor in making decisions must use more than one rational consideration based on an understanding of applicable ethics and make a decision that is fair and the actions taken must reflect the truth and the actual situation. Each of these rational considerations represents the need for a consideration that is expected to reveal the truth of the ethical decisions that have been made, therefore to measure the auditor's level of understanding of the conduct of applicable ethics and each decision made requires a measure.

Professional accountants in carrying out their duties have binding guidelines such as a code of ethics in this case the Indonesian accountant's code of ethics, so that in carrying out its activities the public accountant has a clear direction and can give the right decisions and be accountable to those who use the results auditor's decision. From the opinion above, the researcher proposes the following hypothesis:

H3: Auditor ethics has a significant effect on audit quality

III. EXPERIMENTAL MATERIAL METHOD

The population used in this study is an independent auditor who works at a public accounting firm located in Jakarta. The sample of this research is the auditor who works at a public accounting firm located in Jakarta. Data collection was carried out by survey method through a questionnaire sent to respondents. The questionnaire was given directly to the company where the respondent worked, and through Google's online form

The type of data used in this study is primary data that is data obtained directly from respondents. Data analysis uses statistical analysis. Validity test, reliability test, then regression test (ordinary least square) consisting of the coefficient of determination test, f test, and t test

The following is the operation of variables in this study

TABLE 1. OPERATION OF VARIABLE

Variable	Indicators
Audit quality (Y) [14]	1. Audit practices 2. Results according to auditing standards 3. Quality control standards 4. How well a job is completed
Independence (X1) [15]	1. Length of relationship with the client (Audit Tenure) 2. Pressure from the client 3. Review of peer auditors (Peer Review) 4. Provision of Non-Audit services
Time budget pressure (X2) [12]	1. Efficiency with time budget 2. Work planning in units of time 3. The time needed for each stage of audit

Auditor ethics (X3) [2]	1. Trustworthy 2. Respect 3. Responsibility 4. Caring
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IV. DATA ANALYSIS

IDENTITY OF RESPONDENT

The following is the identity of the respondents in our study

TABLE 2. IDENTITY OF RESPONDENT

Gender	Amount	Education	
Male	41	Bachelor	67
Female	29	Master	3
Age		Experience	
20 – 24 years	35	1 - 5 years	61
25 – 28 years	30	5 -10 years	9
> 29 years	5	Position	
		Junior auditor	58
		Senior auditor	12

We conclude that our respondent’s mostly male, age 20 – 24 years; have education bachelor, work between 1 – 5 years, and positioned as junior auditor.

VALIDITY AND RELIABILITY TEST

Before conducting a regression test, we conducted a prerequisite test. The prerequisite tests that we conducted were validity test and reliability test. Variable is said to be reliable if Cronbach’s alpha is above 0.600 [16]. All variables in this study has passed reliability test, since all variables has Cronbach’s alpha above 0.600.

TABLE 3. RELIABILITY TEST

Variable	Cronbach’s Alpha
Audit quality (Y)	0.651
Independence (X1)	0.689
Time budget pressure (X2)	0.695
Auditor ethics (X3)	0.601

The questions in the questionnaire are said to be valid if all corrected items in total correlation are above the R value of the product moment table. The value of table R product moment 70 (respondent) - 3 (variable) = 67. R Table Product Moment for 67 is 0.237. In the table 4, it can be seen that all questions are valid because the value of the corrected item total correlation has exceeded the R table of product moment.

TABLE 4. VALIDITY TEST

Questions	Corrected Item Total Correlation	Questions	Corrected Item Total Correlation
X1.1	0.281	X2.5	0.366
X1.2	0.390	X2.6	0.441
X1.3	0.365	X2.7	0.479
X1.4	0.284	X2.8	0.390
X1.5	0.554	X3.1	0.335

X1.6	0.458	X3.2	0.441
X1.7	0.285	X3.3	0.444
X1.8	0.363	X3.4	0.311
X1.9	0.472	Y.1	0.274
X2.1	0.401	Y.2	0.547
X2.2	0.368	Y.3	0.480
X2.3	0.313	Y.4	0.387
X2.4	0.324	Y.5	0.334

**ORDINARY LEAST SQUARE
 COEFFICIENT OF DETERMINATION**

The coefficient of determination is to see how much the independent variable can affect the dependent variable. It is predicted that our study is multiple linear regression, so the Adjusted R Square value is used. Adjusted R square value of 0.723 multiplied by 100 to 72.3% means that the three independent variables are able to influence Y by 72.3% and the remaining 27.7% is influenced by other variables not discussed in this study.

TABLE 3. DETERMINATION OF COEFFICIENT

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.857 ^a	.735	.723	.98011	1.650

a. Predictors: (Constant), Audit Ethics, Independence, Time Budget Pressure

b. Dependent Variable: Audit Quality

F TEST

F test is used to test whether all independent variables jointly influence the dependent variable. If the P value is below 0.05, it has an effect, and vice versa. Based on the table, the P value (sig value) 0.000 < 0.05 means that the variable X1, X2, X3 together affects Y.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	175.684	3	58.561	60.962	.000 ^b
	Residual	63.401	66	.961		
	Total	239.086	69			

a. Dependent Variable: Audit Quality

b. Predictors: (Constant), Audit Ethics, Independence, Time Budget Pressure

T TEST

T test is used to test partial hypotheses, researchers want to know whether each independent variable can affect the dependent variable or not. An independent variable is said to have a significant effect on the dependent variable if the p value is below 0.05

X1 Independence has P Value, sig 0.024 < 0.05 means has significance influence, this result support [15], but opposite result by [17]. X2 The time budget pressure has P Value, sig 0.814 > 0.05 means no significant influence, this result support [4], but opposite result by [2]. X3 Audit ethics has P Value, sig 0.000 < 0.05 means has significance influence, this result support [3], but opposite result by [18]

Independence has significant influence on audit quality, when an auditor maintains his/her independence over their client, auditor became free of bias, because auditor free of conflict of interest which can blur auditor judgment.

Time budget pressure in this research has no significant influence to audit quality. We gained information from our respondent via observation and inquiry/conversation. This is what we got from our inquiry with respondent. Most of respondent of this research is junior auditor and some other few of them was senior auditor. Time budget were prepared by mostly partner, audit manager and then senior, but junior did not really prepared the time budget, junior auditor only follow instructions given to them. Audit ethics has positive influence to audit quality, an ethical auditor will avoid any offer and kickback or bribery from client to conceal client material misstatement found on audited financial statement, so ethics can increase audit quality.

SUGGESTION

These are suggestion for auditors and public accounting firms. Based on the results of this study, it can be concluded that auditor independence and ethics significantly influence audit quality. If so, if the auditor wants to improve the quality of his work, the auditor must maintain his independence, not to side with the client, then the auditor must also uphold the professional ethics in his work. This will minimize the possibility of collusion fraud between clients and auditors.

Next is suggestion for next researchers in the future. Next researcher can use our research as reference. Other researchers can use different research objects, for example auditors in other regions, or other types of auditors which are government auditors or internal auditors.

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