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The influence work effort, idealism, and audit expertise towards audit judgment performance

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Abstract

The case of failed audits experienced by a number of large companies caused auditors to lose the trust of public. Therefore, the effort that can be done by the auditors is to improve the quality of audit judgment. This study aims to examine the influence of work effort, idealism and audit skill on audit performance evaluation. Quantitative research method was applied with three variables to be tested, namely work effort, idealism, and audit expertise. The results of this study indicate that work effort and audit expertise affects audit performance judgment, while idealism does not affect audit performance evaluation.

Keywords: Audit expertise, Audit performance evaluation, Idealism, Work effort.

El esfuerzo de trabajo de influencia, el idealismo y la experiencia de auditoría hacia el desempeño del juicio de auditoría

Resumen

El caso de auditorías fallidas experimentadas por varias compañías grandes causó que los auditores perdieran la confianza del público. Por lo tanto, el esfuerzo que pueden hacer los auditores es mejorar la calidad del juicio de auditoría. Este estudio tiene como objetivo examinar la influencia del esfuerzo de trabajo, el idealismo y la habilidad de auditoría en la evaluación del desempeño de la auditoría. El método de investigación cuantitativa se aplicó con tres variables a probar, a saber, esfuerzo de trabajo, idealismo y experiencia en auditoría. Los resultados de este estudio indican que el

esfuerzo de trabajo y la experiencia en auditoría afectan el juicio del desempeño de la auditoría, mientras que el idealismo no afecta la evaluación del desempeño de la auditoría.

Palabras clave: Experiencia en auditoría, Evaluación del desempeño de la auditoría, Idealismo, Esfuerzo de trabajo.

1. INTRODUCTION

Audit failure cases that have occurred more than 10 years ago in large companies such as Enron and Worldcom made the public doubt the performance of an audit judgment. This doubt raises a question on how is the quality of an audit judgment. The failed audits done by a number of large companies have also raised serious questions about the quality and reliability of the information audited (CADBURY, 1992). With regard to audit failures experienced by a number of large companies, auditors are required to regain public and clients' trust in the profession and the quality of performance. In this case, the effort that will be made by the auditors is to improve quality of audit judgment (JOHARI ET AL., 2014). The quality of an audit judgment measures the auditors' performance in carrying out audit tasks (GIBBINS, 1984). Therefore, to improve the quality of audit judgment, auditors must improve their performance.

The process of an audit judgment cannot be separated from several factors that can affect the auditor's performance, both technical and non-technical. Basically the standard consists of hard and soft skills which must be owned by an auditor in performing his duties (JOHARI ET AL., 2014). Non-technical factors that can affect the

auditor's performance in making audit judgment are work effort, idealism and audit expertise.

The quality of audit judgment done by an audit depends on effort or work effort the auditor in carrying out his audit duties. The effort given by the auditor in carrying out his duties can be increased through the effort duration, for example working longer, or effort intensity, or through both (CLOYD, 1997). Previous research on the relationship between work effort and audit performance evaluation shows that work effort gives significant positive effect on audit performance evaluation, this indicates that the greater the effort used by the auditor in the audit process, the better the audit performance evaluation will be (ARIFUDDIN, 2014; JOHARI AND SANUSI, 2006; MUHSIN, 2016).

The ethical considerations of each auditor also play a role in improving the quality audit judgment (JOHARI et al., 2014). The auditor's ethical considerations are influenced by the characteristics of the auditor's ethical orientation. Idealism is one of the characteristics of ethical orientation. Idealism refers to an attitude that assumes that the right action will have the desired consequences or results (FORSYTH, 1980). Therefore, if an auditor has idealism in making an audit judgment, it will be based on the idea that ethical actions will not harm others.

The previous study by (JOHARI et al., 2014) analyzed an audit performance evaluation based on the idealism variables. The result of

the study shows that idealism has no significant effect on audit judgment performance, but the auditors as the respondent of the study on average has idealism. It means that the auditor does his duty to act ethically, because ethical actions will not harm others. Always acting ethically in carrying out their duties is expected in order for the auditor will regain the publics' trust in his profession and improve the quality audit performance evaluation.

Apart from the non-technical considerations that have been explained, other non-technical considerations that can influence audit judgment performance is audit expertise. Audit quality is the result of the assessment of an individual auditor, which is influenced by auditor's competence (ISKANDAR AND SANUSI, 2011). The quality of the auditor's work can be seen from the quality of judgment and the decisions he made (WATKINS ET AL., 2004). To ensure that audit services are of high quality, it is important for the auditor to maintain audit performance evaluation at the highest score possible. Audit competencies are determined by the following elements; abilities, knowledge, and experience of the auditor (BONNER, 1999).

To prove the competence of an auditor, auditors are required to have audit expertise in completing their tasks. Auditors are required to have extensive knowledge, meaning the auditor must have knowledge of auditing and the characteristics of the company to be audited. This audit skill will affect the auditor's view of the information found to make audit judgment that will determine the quality audit performance evaluation. Previous research explained that audit expertise had a

significant positive effect on audit judgment performance (ACHILLES, 2006; ANANDARAJAN ET AL., 2008; LENARD, 2003; TAYLOR, 2000).

Related research on audit performance evaluation has developed over the past 20 years and will continue to grow, because auditors will continue to deal with audit tasks and demands to produce audit judgment quality. Not only that, this research must continue to be developed as well because there are inconsistencies in the results of research regarding audit judgment. This is because judgment made by the auditors is a subjective consideration from an auditor and depends on the individual's perception of a situation. This study aims to determine the effect of work effort, idealism and audit expertise on judgment performance.

HYPOTHESIS

The hypotheses proposed in this study are:

H₁: Work effort has a positive effect on audit performance evaluation

H₂: Idealism has a positive effect on audit performance evaluation.

H₃: Audit expertise has a positive effect on audit judgment performance

2. METHODOLOGY

This study uses a quantitative approach. The variables that will be tested for are work effort, idealism, and audit expertise on audit performance evaluation. The dependent variable used in this study is audit judgment performance as variable Y. The independent variable is (1) Work effort as X_1 , (2) idealism as X_2 (3) and audit expertise as X_3 . All variables are then measured using the chosen research instrument. Y variable is measured using an instrument consisting of 8 questions (SANUSI et al., 2007). Variable X_1 is measured based on the time needed by the respondent to complete the questionnaire that has been given (ISKANDAR AND SANUSI, 2011; MOHD ISKANDAR ET AL., 2012; SANUSI ET AL., 2007). The time duration used to measure work effort has been used in research conducted by ZURAI DAH AND TAKIAH (2007), TAKIAH AND ZURAI DAH (2011), TAKIAH, RIA, ZURAI DAH, AND RITA (2012), AND JOHARI ET AL (2014).

The X_2 variable is measured using 10 questions about Idealism (IEO) (FORSYTH, 1980). The X_3 variable is measured using 5 questions on the auditor's perception of the audit expertise he has. The data analysis technique used in this study is multiple linear regression analysis. So that the data obtained can be analyzed using multiple linear regression, the relationship between variables is validated using SPSS.

3. RESULTS AND DISCUSSION

The data obtained were collected and then analyzed using multiple linear regression analysis that aims to determine the effect of more than one variable on the dependent variable. The results obtained from data processing are shown in table 1.

Table 1: Multiple Linear Regression Test Results

Variable	Regression Coefficient	Significance
Constant	-3,139	0,051
Work effort	0,013	0,010
Idealism	-0,471	0,307
Audit Expertise	2,632	0,000
F count	45,684	
Significance	0,000	
Double Correlation (R)	0,877	
Determination Coefficient (R ²)	0,770	

Sources: Primary data is processed, 2016

Based on the results of the above calculations, the formula for the regression equation is obtained as follows:

$$Y = -3139 + 0,013 X_1 - 0,471 X_2 + 2,632 X_3 + e \quad (1)$$

Regression coefficients that have negative signs indicate unidirectional changes between the independent variables on the dependent variable. The calculation shows that there are 2 independent variables with positive coefficients and 1 independent variable with negative coefficient negative:

$$X_1 = 0.013 \quad (2)$$

The regression coefficient variable of work effort (X_1) of 0.013 indicates that with each increase in the work effort variable (X_1), the audit judgment will increase with a regression coefficient of 0.0133 and with assumption that other variables are constant:

$$X_2 = -0.471 \quad (3)$$

The regression coefficient variable of idealism (X_2) of -0.4471 shows that with every decrease in idealism variable (X_2), the audit judgment will decrease with the regression coefficient of -0.4471 and with assumption that other variables are constant:

$$X_3 = 2.632 \quad (4)$$

The regression coefficient variable of audit expertise (X_3) of 2,632 shows that with every increase in audit expertise variable (X_3),

the audit judgment will increase with a coefficient of 2,632 and with assumption that variables are constant.

In Table 1, it can be seen that value R^2 or the coefficient of determination is 0.770, this means that work effort, idealism and audit expertise affect audit performance evaluation amounting to 0.770 or 77% while the remaining 0.330 or 33% is influenced by other variables outside the independent variables used in this study. The value of R or the correlation coefficient is 0.877 means that work effort, each person's idealism and audit expertise has a strong relationship with audit performance evaluation with a coefficient of 0.877 or 87.7%

Influence work effort to audit performance evaluation

Hypothesis 1 (one) testing was carried out using t test analysis to determine the effect of the independent variable of work effort partially to the dependent variable, audit performance evaluation. The formulation of the hypothesis 1 for partial testing is as follows:

$H_{01}: \beta_1 \leq 0$ there is no significant influence between work efforts with audit performance evaluation.

$H_1: \beta_1 \geq 0$ there is a significant influence between work efforts with audit performance evaluation.

The result of the above statistical hypothesis is shown in Table 4.12 that is the result of the t-test and the calculation of the beta value.

Table 2: Calculation of t Test Results and Beta Value Calculation

Variable	Beta t	SignificanceResult
Work effort	0,0132,696	0,01 ≤ 0,05 Significant influence

The significance value of the t test is 0.01 smaller than the significance rate of 0.05, the t value is 2.696 and the Beta value is 0.013, thus it can be concluded that the variable work effort (X_1) has significant effect on audit performance evaluation (Y) because the significance value of the t test is smaller than the significance level of 0.05. It can be formulated as H_{01} rejected and H_1 accepted, which shows that there is a significant influence of work effort on audit performance evaluation.

Effect of idealism on audit judgment performance

Hypothesis 2 (two) testing is carried out using t test analysis to determine the effect of the independent variable of work effort partially to the dependent variable of audit performance evaluation. The formulation of the hypothesis 2 statistics for partial testing is as follows:

H_{02} : $\beta_2 \leq 0$ there is no significant influence between idealism and audit performance evaluation.

H₂: β₂ ≥ 0 there is a significant influence between idealism and audit performance evaluation.

The results of the above statistical hypothesis are show in Table 3 with the result of the t-test and the calculation of the beta value:

Table 3. Calculation of t Test Results and Beta Value Calculation

Variable	Beta	t	Significance	Result
Idealism	0,471	1,035	0,307 ≤ 0,05	No significant influence

The significance value of the t test is 0.307 greater than the significance rate of 0.05, the value of t is -1.035, and the Beta value is -0.078, thus it can be concluded that the idealism variable (X₂) has no significant influence on audit performance evaluation (Y) because the significant value of the t test on the idealism variable is greater than the 0.05 significance level. It can be formulated as H₀₂ accepted, H₂ rejected, indicating that there is no significant influence of idealism on audit judgment performance.

Effect of audit expertise on audit judgment

Hypothesis testing 3 (three) is carried out using t test analysis to determine the effect of the work effort as an independent variable partially to the dependent variable, audit performance evaluation. The formulation of the hypothesis 3 statistics for partial testing is as follows:

$H_{03}: \beta_3 \leq 0$ there is no significant influence between idealism and audit performance evaluation.

$H_3: \beta_3 \geq 0$ there is a significant influence between idealism and audit performance evaluation.

The results of the above statistical hypothesis are shown in Table 4.12 with the result of the t-test and the calculation of the beta value as follows:

Table 4. Calculation of t Test Results and Beta Value Calculation

Variable	Beta	t	Significance	Result
Idealism	2,6327	1,620	0,000	$\leq 0,05$ Significant influence

In table 4 the significance value of the t test is 0,000 smaller than the significance level (0.05), t value is 7,162 and Beta value is 0,687. Thus, it can be concluded that there is a significant influence between audit expertise variables (X_3) to audit performance evaluation. It can be formulated as H_{02} rejected and, H_3 accepted, showing that there is a significant influence of work effort on audit judgment performance.

Work effort has a significant partial effect on audit performance evaluation. This is in line with the study which states that effort has a positive effect on job performance and satisfaction (MOHD ISKANDAR et al., 2012). This indicates that work effort has a positive relationship with audit performance evaluation, the greater the work

effort of the auditor in making audit judgment, the better the audit performance evaluation is. This research is also in line with the previous research which stated that effort has a positive effect on audit performance evaluation (JOHARI ET AL., 2014; MUHSIN, 2016). To improve the quality of audit judgment, the auditor must issue more business examples like working longer (duration) or working harder (intensity) or through both (CLOYD, 1997).

Idealism refers to individuals who believe that ethical action will produce the desired results or it can be said that every action taken must be based on the prevailing moral values or not in the least out of those values, so that they can produce the desired results. Previous research stated that there was no significant influence to audit performance evaluation (JOHARI et al., 2014). Idealism in this research is measured by one's attitude not to harm others, in which the auditor may make audit judgment based on the conditions where the process does not harm other people nor affect the auditor. The auditor's performance will remain running as usual in accordance with existing procedures, therefore idealism does not affect audit performance evaluation but it might affect ethic judgment.

The higher the audit expertise possessed by an auditor, the better the judgment taken by the auditor. Audit expertise is the ability to apply knowledge to the problems faced and solved the problem. An audit process must be done by a person who has sufficient technical expertise and training as an auditor. In conducting audit work, an auditor who is an expert has extensive knowledge. Auditor's

knowledge is one of the keys to work effectiveness. Previous research also stated that audit expertise has a positive effect on audit performance evaluation (LIBBY AND LUFT, 1993; PFLUGRATH et al., 2007). This means that high audit expertise will contribute to a better audit judgment performance.

4. CONCLUSION

This research was conducted to test the relationship between work effort, idealism, and audit expertise. This study applied a quantitative research approach with data collected through survey by distributing questionnaires directly to 43 Public Accounting Firms in the city of Surabaya. This study uses primary data in the form of the results of filling out questionnaires sent directly to respondents by researchers. Respondents of this study are auditors whose work period is more than 2 years, because they are considered capable of producing audit judgment better.

The estimated results of this study show that work effort has significant positive effect on audit performance evaluation. The higher the work effort of an auditor in carrying out their duties, the better audit judgment performance is. Idealism has no significant effect on audit performance evaluation. Audit skills have a significant positive effect on audit performance evaluation. The higher the audit expertise possessed by an auditor, the better the audit performance evaluation.

Audit skills of an auditor can support the quality of the audit judgment made by the auditor.

The implications of this research can be used for auditors to further develop their audit expertise. In a more global point of view, the results of this study can be used as a reference for managements to persuade and regain the trust of parties outside of the company. The pivotal role of audit judgment professionally influences a company's management arrangements.

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