

# Determinant of Quality Audit in Sustainable Development Goals

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**Keywords:** Work Experience, Audit Tenure, Auditor Ethics, Time Budget Pressure, Audit Quality.

**Abstract:** The inclusive role of the auditor towards Sustainable Development Goals, encouraging public accounting offices to improve their audit performance by improving the quality of audits. This study is aimed at explaining the determinant of audit quality in the Indonesian context. We hypothesize that the influence of the work experience, auditor ethics, audit tenure, and time budget pressure impact to the audit quality produced by auditors that work in the Public Accountant Firms. The research used questionnaires to collect data with a total sample of 102 respondents. This study uses a quantitative approach and using multiple linear regression analysis. The result of testing the hypothesis stated that work experience, auditor ethics, and audit tenure variables partially influence the quality of the audit. Finally, our results contribute to the regulatory agencies that must make strict rules to ensure auditor compliance on audit tenure, and code of ethics, so that SNP Finance failures cases do not occur in Indonesia.

## 1 INTRODUCTION

The development of country's economic conditions makes business complexity increase. The more complex the business, encourage the quality financial statement information needs. The auditor plays a role in encouraging accountable transparent financial management. United Nations Conference on Trade and Development (UNCTAD) is the main organ of the UN General Assembly in dealing with trade, investment, and development issues, in 2017 UNCTAD launched a sustainable development agenda until 2030. The contribution of the private sector in achieving the agenda will be very significant, especially the contribution of auditors in ensuring the reporting of sustainable accounting (Pramono, 2018). The inclusive role of auditors in the Sustainable Development Goals (SDGs) was followed up by the International Organization of Supreme Audit Institutions (INTOSAI) with a second cross-field priority, namely to contribute to the follow-up and review of the SDG in the context of each country's specific sustainable development efforts. One of the priority approaches is audit performance assessment (Intosai, 2017). The Public Accountant Office or Kantor Akuntan Publik (KAP) must have good audit quality to produce financial reports that can be trusted by users of financial information. According to De Angelo (1981) and

Rizal, N. and Liyundra, F. S. (2016) revealed the relationship between findings of fraud in the client's accounting system with increasing audit quality.

There are many public doubts about the profession of public accounting. One phenomenon that can support this study is Bank Mandiri's Medium Term Notes failure case of \$ 98,000 in SNP Finance. In the case of SNP Finance, it was called the KAP under the entity of Deloitte - Indonesia was involved. The Deloitte entity represented by Satrio Bing Eny & Rekan (SBE) conducted an SNP financial statement audit based on audit standards set by the Indonesian Institute of Certified Public Accountants (IAPI). Steve Aditya (Marketing & Communications Lead of Deloitte - Indonesia) revealed BE was the last time to publish an Independent auditor's report on the SNP financial report for the 2016 financial year. The audit was not related to the need for issuance of MTN conducted by SNP in 2017 and 2018. SBE was also never asked for approval or notified by SNP if the audit report on SNP financial statements was used as a reference in the issuance of Medium Term Notes (MTN). Steve also insists Deloitte has a strict quality control standard. Prior to the release of an independent auditor's report shall be through the review of strict internal quality control performed by the colleague / partners and managers who are not involved in the audit alliance. A different matter was uttered by Langgeng Subur (Head of the Ministry of Finance's Professional Development Center), the

state exchequer acknowledged that there were indications of negligence by KAP in auditing financial statements. "Because Public Accountants has long been holding PT SNP as their client, then there are things that the audit step must be deepened are not done," said Langgeng (CNBC, 2018). Audit quality in the case of Bank Mandiri MTN made the audit quality of the Deloitte SBE Entity questionable even though Deloitte itself is apart of the Big Four KAPs in Indonesia. KAP SBE is considered to have conducted low-quality audit activities, so the Ministry of Finance imposed administrative sanctions on Marlina and Merliyana Syamsul Public Accountants in the form of limiting the provision of audit services to financial services entities for 12 months from September 16, 2018 to by September 15, 2019. A public accountant needs to improve audit quality to be able to increase the level of reliability of financial statements so that they can be trusted again by interested parties.

## 2 THEORETICAL FRAMEWORK

### 2.1 Sufficient Work Experience

This section must Auditors are required to have sufficient work experience, understand the code of ethics of the accounting profession, and consider the factor of the length of the relationship between the auditor and the client (audit tenure) and the time budget pressure factor in auditing. The auditor's experience factor in conducting audits is one of the factors that influence audit quality. The auditor's knowledge will develop as experience increases in performing audit tasks. With the increasing experience, the expertise possessed by auditors is also growing. The impact of experience on every decision taken in conducting an audit is expected to help make the right decision. The longer the auditor's working period is indicated, the better the audit quality produced by the auditor.

### 2.2 Auditors' Ethical behavior

Auditors' ethical behavior is a factor that influences audit quality. Auditors should be guided by the code of ethics and auditing standards of relevant public accountants in carrying out audits. Code of ethics is very necessary because in the code of ethics regulates the behavior of public accountants in carrying out practices. According to Ardelean A. (2013) the idea of ethics consists of the concepts of integrity, honesty, and responsibility. Therefore, ethics is perceived by

the community as a set of moral principles and rules of conduct that guide the audit profession. To improve auditor performance, the auditor is required to maintain ethical standards to produce quality audits.

### 2.3 Audit Tenure

The length of the auditor's relationship with the client is called audit tenure. Tenure is the period of assignment of audits by certain KAP in client companies that are in accordance with government regulations. The longer the audit assignment can be indicated to affect audit independence. (Yudi et al. 2013; Puspitasari and Nugrahanti, 2016). Another factor that also determines audit quality is Time budget pressure. The more efficient of the Auditor in completing the case, the better the quality of the auditor.

### 2.4 Time Budget Pressure

Time budget pressure can also cause deviant behavior from an auditor because the auditor tends to be depressed in carrying out his duties. The negative impact caused by time budget pressure is that the auditor intentionally removes several stages of the audit for reasons of time constraints, thereby reducing audit quality. Research on audit quality is important for KAP so that they can find out the factors that influence audit quality and can further improve audit quality produced by auditors working in KAP (Andreas, 2015).

### 2.5 Conceptual Framework

The conceptual framework can be seen in figure 1.

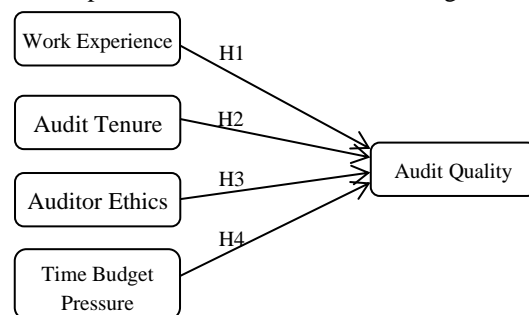


Figure 1: Conceptual Framework.

### 2.6 Hypothesis

H1 : work experience has a positive effect on audit

- quality
- H2 : audit tenure has a positive effect on audit quality
- H3 : auditor ethics has a positive effect on audit quality
- H4 : time budget Pressure has a positive effect on audit quality

### 3 RESEARCH METHODOLOGY

#### 3.1 Population and Sample

In this study, we use auditor at KAP in Jakarta as a sample and population. There are 102 auditors from 18 KAP in Jakarta. The IAPI database which consists of all Indonesian accountants list is used in this study to determine the research sample.

The questioner is sent to the auditor to obtain auditor perceptions of the variables used in this study. Non-probability sampling was used in this research. This study used some The criteria of sample : (1) the auditor has worked in KAP for at least 1 year, and (2) the auditor has audited at least 3 years.

#### 3.2 Operational Definition

##### 3.2.1 Audit Quality

Audit quality indicates how appropriate the audit results are to the established standards (Watkins et al., 2004). The indicators used to measure audit quality consist of (1) the quality of the audit report, (2) compliance with audit standards and (3) the process of finding and reporting evidence.

##### 3.2.2 Work Experience

The indicators used for Work Experience: the duration of working as an auditor and the number of tasks (Setiawan's, 2017).

##### 3.2.3 Audit Tenure

Audit Tenure was measured using indicators: (1) good relationship with clients, and (2) the length of time the relationship with the client.

##### 3.2.4 Auditor Ethics

Auditor ethics was measured using indicators: (1) Auditor Professional Responsibility, (2) Integrity, (3) Objectivity.

#### 3.2.5 Time Budget Pressure

Time Budget Pressure was measured using indicators: (1) time limitations in assignments, (2) completion of work with a specified time, (3) fulfillment of target time during the assignment, (4) focus on tasks with limited time, and (4) time budget communication.

Table 1: Operational Definition.

Variables	Indicators
Work Experience	The duration of working as an auditor The number of tasks
Audit Tenure	Good relationship with clients The length of time the relationship with the client
Auditor Ethics	Auditor Professional Responsibility Integrity Objectivity
Time Budget Pressure	Time limitations in assignments Completion of work with a specified time Fulfillment of target time during assignment Focus on tasks with limited time Time budget communication
Audit Quality	Compliance with audit standards Quality of audit report Finding and reporting evidence

#### 3.3 Analysis Method

Multiple regression analysis was used in this study. In addition, researchers used the SPSS tool to analyze the research model, the research formula was as follows:

$$AQ = a + b_1WE + b_2AT + b_3AE + b_4TBP + e \quad (1)$$

Formula remarks:

- AQ = Audit Quality
- a = Constanta
- b<sub>1</sub> – b<sub>4</sub> = The regression coefficient
- WE = Work Experience
- AT = Audit Tenure
- AE = Auditor Ethics
- TBP = Time Budget Pressure
- e = error

The t-test is used as a basis for determining whether the hypothesis is accepted or rejected. If the P-value is <0.05; Ha is accepted = there is a significant effect between the independent variables on the dependent variable. If the P-value > 0.05; Ha is rejected = there is no significant influence between the independent variable and the dependent variable.

## 4 RESULTS AND DISCUSSION

### 4.1 Results of the Outer Model Measurement

#### 4.1.1 Result of the Validity Test

Table 2: Results of the Discriminant Validity Measurement.

Variables	Original Sampling (O)	P-values
Work Experience	0.524	0.000
Audit Tenure	0.513	0.000
Auditor Ethics	0.538	0.000
Time Budget Pressure	0.812	0.000
Audit Quality	0.543	0.000

All variables have discriminant validity values in the column of original sampling ( $\rho$ ) > 0.30 and a p-value < significance level. It can be concluded that all the variables are valid.

#### 4.1.2 Result of the Reliability Test

Table 3: Results of the Composite Reliability Measurement.

Variables	Original Sampling (O)	P-values
Work Experience	0.892	0.000
Audit Tenure	0.875	0.000
Auditor Ethics	0.818	0.000
Time Budget Pressure	0.975	0.000
Audit Quality	0.807	0.000

All variables have composite values > 0.70. It can be concluded that all variables are reliable.

### 4.2 Results of the Inner Model Measurement

Table 4: Value of the Adjusted R-square (Adjusted R<sup>2</sup>).

Dependent Variable	Value of Adjusted R-square (R <sup>2</sup> )
Audit Quality	24.67%

The value means that 37.30% of audit quality can be explained by the independent variables in this research.

### 4.3 Results of the Hypothesis Test and Discussion

Table 5: Relationship between the Variables.

Relationship between the Variables	$\beta$	P-values
Work Experience → Audit Quality	0.198	0.047
Audit Tenure → Audit Quality	0.181	0.042
Auditor Ethics → Audit Quality	0.345	0.012
Time Budget Pressure → Audit Quality	0.043	0.587

The more experienced an auditor, the more audit quality increases, which is statistically significant at the 0.047. The result is consistent with research conducted by Wang et al. (2015), Wang found: there is perceive that auditor to be more credible when the underlying companies are audited by more experienced partners. There is perceive that auditor to be more credible when the underlying companies are audited by more experienced partners. Audit Tenure has a positive effect on audit quality, which is statistically significant at the P-values 0.042. Auditor ethics has a positive effect on audit quality, which is statistically significant at P-values 0.012. The result is consistent with research conducted by Jackson et al. (2007) which state that the audit tenure can provide auditor a better understanding of his clients, thus increasing audit quality. Time budget pressure has a positive effect on audit quality, which is statistically not significant at P-values 0.587. The result is consistent with research conducted by Gaol et al. (2017).

The results of the t-statistic test reveal that the audit tenure, work experience, and audit ethics has a significant positive effect on audit quality. This is in line with the studies conducted by, Kuntari et al. (2017), and Habiburrochman & Manifesti J. (2018).

## 5 CONCLUSIONS

Auditor work experience has a positive effect on audit quality. This means that working experience is able to improve audit quality. The more complex the company will improve the work experience of public accountants because the complexity of the company is reflected in the increasing number of transactions that can be processed and this will expand the audit object. In the study of ALim et al. (2007) revealed that the more experienced an auditor would improve audit quality.

Audit Tenure has a positive effect on audit quality. This means that audit tenure can improve

audit quality. These results are supported by Geiger and Raghunandan (2002), they found that the perceived audit quality increased with increasing perceived audit tenure. The results related to the audit partner's working period are consistent with conclusions about the tenure of the audit company.

The influence of Auditor ethics on audit quality. Auditors ethics can produce audit quality. This result supports the theory which states that professional auditors will act in accordance with the code of ethics and standards. Therefore the role of auditor behavior to increase the reputation and credibility of the company is very large (Ardelean & Alexandra, 2013).

An understanding of the factors that can significantly influence audit quality, and strict compliance with the rules governing these factors, will improve audit quality. And finally, it will increase the trust of users of financial statements. This study recommends that audit tenure, understanding of audit ethics, and work experience must be maintained and improved. Regulatory agencies must make strict rules to ensure cases of SNP Finance failures in Indonesia do not occur.

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