

# The Influence of Auditor's Independence, Experience and Auditor's Competency on Audit Judgement

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**Keywords:** Audit Judgement, Independence, Experience, Competency.

**Abstract:** The purposes of research were to explore the effect of auditor's independence, experience and competency on Audit Judgement. The methods applied were a literature study and a field study by doing surveys using questionnaire. The questionnaire was given to auditors in Jakarta, The research results indicated that Independence and competency have significant effect on Audit Judgement while experience have no significant effect on Audit Judgement. In conclusion, Audit Judgement is significantly influenced by Independence and competency, while experience has no significant effect.

## 1 INTRODUCTION

Financial reports according to Financial Accounting Standards (SAK) are part of a complete financial reporting process which usually includes balance sheets, income statements, changes in financial position reports which can be presented in various ways such as: as a cash flow statement, or a statement of fund flows, notes and other reports and explanatory material that are an integral part of financial reports. Financial statements in general are the final result of a process of recording financial transactions in a company that shows the company's financial condition in 1 (one) accounting period and is also an overview of the performance of a company, financial statements are made based on considerations according to the information presented by management. companies in their financial statements. Thus, there are differences in interests, between the company shareholders and the company management. The difference in interest is part of the agency relationship.

According to Ross (Ross, 1973) Agency relations are one of the oldest and most common modes of social interaction. Agency relationships have arisen between two (or more) parties when one, appointed as agent, acts for, on behalf of, or as representative for

the other, is appointed principal, in a particular domain of decision-making. An agency relationship is a contract in which one or more people (principal) engage other people (agents) to perform some services on their behalf that involve delegating some decision making authority to the agent.

Due to the difference in interests, the public accounting profession appears as a third party. In this case, the auditors are able to provide assurance services that the financial statements are relevant and reliable, so that it can create trust for all parties who have an interest. Auditor services as independent parties are very much needed, because these services are very important for users of financial statements for decision making. Public accountants who carry out auditing activities work not only for the benefit of their clients but also for other parties who use the audit report. Thus, in this case the auditor must have sufficient independence and competence in order to maintain the trust of clients and users of financial statements.

Arens (2016) Auditing is the accumulation and evaluation of evidence about information to determine and report at the level of correspondence between the information and the established criteria. The audit must be carried out by a competent and independent person. The final objective in an audit process is to make an independent auditor opinion on

financial statements with audit judgment that has a basis and deep consideration to show the absence of impropriety in the preparation of financial statements and doubts regarding the Company's ability to pay off its obligations and the company's future sustainability. The Public Accountant Professional Standard (SPAP) states that the audit judgment on the ability of the business entity to maintain its operation must be based on the auditor's own competence against the ability of a business entity to sustain itself within a period of one year from the date of the financial statements.

According to Arens (2016) Audit Judgment is a personal consideration or the auditor's point of view in responding to information related to audit responsibilities and risks that will be faced by the auditor, which will affect the auditor's independent opinion on the financial statements of an entity. Audit judgment is needed by the auditor in carrying out his duties, especially in auditing the financial statements of a company. Judgment depends on obtaining evidence and developing that evidence so as to produce confidence that arises from the auditor's ability to explain the evidence described. The more reliable the judgment taken by the auditor, the more reliable the audit opinion issued by the auditor. Audit judgment is influenced by many factors, but in this study the factors studied were the independence, experience and competence of the auditor.

Independence is an attitude that is free from the influence of other parties (not controlled and not dependent on other parties), intellectually honest, and objective (not taking sides) in considering facts and expressing opinions. According to Arens (2016), the auditor tries hard to maintain the level of independence. High level of trust in users who rely on their reports. The next factor that can influence the auditor's judgment is experience, the experience of an auditor is the experience an auditor has in conducting an examination of the number of different assignments that have been carried out and the length of time the auditor has carried out his profession and can increase his knowledge of error detection, according to Mulyadi (2002) in Pektra and Kurnia (2015) if a person enters a career as a public accountant, he must first seek professional experience under the supervision of a more experienced senior accountant.

Apart from independence and experience, competence is another factor that can influence audit judgment, according to Tandiontong (2016). Competence relates to expertise, knowledge and experience so that a competent auditor is an auditor who has sufficient knowledge, training, skills and

experience to be able to successfully complete his audit task, Competence concerns both knowledge of standards, professional techniques and technical issues involved, and the ability to make wise judgments about applying that knowledge to each assignment. An auditor who gives judgment on the audit must be someone who has high competence and is good in their field.

There are many cases of Audit Judgment in several companies in Indonesia. These cases show the urgency and recency of the research carried out. These cases describe the Audit Opinion that is not in accordance with what actually happened. This opinion is certainly influenced by the Audit Judgment, so the author takes the Judgment audit as the variable under study. In 2018 there were problems with the Garuda Company's financial statements, due to irregularities in the recognition of income in the financial statements. This irregularity led to a decrease in the audit opinion on the financial statements, the auditor concerned was also sanctioned, Then in addition in 2018 there were problems in the financial statements of PT Sun Prima Nusantara Financing (SNP) Finance. Previously, PT SNP's Financial Statements received an unqualified opinion, but PT SNP experienced nonperforming loans which caused losses to the bank. and the public accountant concerned is sanctioned. In addition, in 2019 there was a Jiwasraya Insurance Case involving KAP big 4 PricewaterhouseCoopers (PwC), the KAP which audited Jiwasraya's financial statements was suspected of negligence. PwC provides an unqualified opinion on the consolidated financial statements of PT Asuransi Jiwasraya in the audited financial report signed by the PwC auditor which shows net income but Jiwasraya actually loses so that there is a discrepancy in the opinion given by the auditor. Based on the example of this case, it can be concluded that cheating can be done by anyone if there is an opportunity. Even if it is done by a well-known and trusted KAP, as an auditor it should have followed the applicable financial reporting standards. Although management is responsible for the financial reports they issue. The auditor remains responsible for the opinions given by the public accounting firm. The auditor's opinion is made based on the auditor's judgment. because the auditor's job is as an assurance service, namely to ensure that the financial reports have been made fair and in accordance with applicable standards. even if it is if when the auditor audits the company, he finds no irregularities. If the case arises in a company that has been audited, the auditor will be blamed and if the auditor finds indications of fraudulent financial statements being

manipulated by management, the auditor should make judgments in issuing an opinion. This consideration is an Audit Judgment. Based on this background, the problem discussed in this study is whether Independence, Experience and Competence affect the Audit Judgment.

Various previous studies have been conducted which prove the existence of a relationship between independence, experience and competence in audit judgment. Vincent and Osesonga (2019) conducted a study where they found that independence has an effect on audit judgment. Besides, Yendrawati and Mukti (2015) in their research suggest that the experience of the auditor has a significant effect on audit judgment. And Rani and Putra (2016) research states that the competence of auditors is proven to have a significant effect on audit judgment. The three studies show that Independence Experience and Competence influence audit judgment. So the researchers conducted this research to prove the truth of the model to public accountants at KAP in Jakarta. Based on the above formulation, the purpose of this study is to analyze the influence of the independence, experience and competence variables on the audit judgment.

## 2 RESEARCH METHODOLOGY

The research method used in this research is a quantitative method. According to Sekaran (2016) quantitative data is data in the form of numbers which is generally collected through structured questions. And the data is collected using a questionnaire that will be given to the public accounting firm to be filled in and given back to the author, so that the author can get data in the form of answers from the questionnaire created by the author and in each of the questionnaire questions there are answers that are weighted using a Likert scale. According to Sekaran (2016) the Likert scale is a scale designed to test how strongly respondents agree with the statement.

For a best viewing experience the used font must be Times New Roman, on a Macintosh use the font named times, except on special occasions, such as program code. The data studied is primary data, which refers to information obtained from the results of direct research empirically to direct actors or those directly involved with data collection techniques resulting from filling out questionnaires commonly carried out by researchers. Primary data comes from the results of data collection in the form of questionnaires to respondents to auditors at the Public Accounting Firm in Jakarta. According to Sekaran (2016), the sample is part of the population,

consisting of several selected members. In other words, some but not all of the elements of the population make up the sample. A sample is thus a subgroup or subset of the population. By studying a sample, the researcher should be able to draw generalizable conclusions for the population of interest. There are two main types of sampling techniques, namely: probability sampling and nonprobability sampling. The sampling technique used is non probability sampling. With a sampling technique, namely purposive sampling.

According to Sekaran (2016), purposive sampling is sampling that is limited to certain types of people who can provide the desired information, either because they are the only ones who have it or they conform to several criteria set by the researcher. In this study the authors used respondents, namely auditors who work at the public accounting firm in the Jakarta area. Determination of the sample using the Rule of Thumb. Roscoe (1975) proposes a Rule of thumb for determining sample size: (1) sample sizes greater than 30 and less than 500 are appropriate for most studies. (2) where the sample is to be divided into subsamples, a sample size of at least 30 for each category is required. (3) in a multivariate study, the sample size should be several times larger than the number of variables in the study. (4) for simple experimental research with strict experimental control, successful research is possible with a sample size as small as 10 to 20. To obtain objective data on the independence, experience and competence of auditors and their effect on audit judgment, a questionnaire will be given to auditors who work at KAP in Jakarta. From these calculations it can be determined that this study will take a sample of 49 respondents. To obtain data and information in this study, the authors collected data using a questionnaire technique.

For the purposes of this analysis and research, the author requires a number of data, both from within and outside the organization. To obtain data and information in this study, the authors collected data using a questionnaire technique. Sekaran (2016), a questionnaire is a set of pre-formulated written questions where respondents record their answers, usually in a more closely defined alternative. In this study, the researcher used the data analysis method, namely multiple linear regression. Multiple linear regression analysis is a technique used to calculate the estimated relationship of one or more independent variables with the dependent variable.

In this study, the researcher used the data analysis method, namely multiple linear regression. Multiple linear regression analysis is a technique used to calculate the estimated relationship of one or more

independent variables with the dependent variable. According to Sekaran (2016) Multiple linear regression analysis is used in situations where one or more independent variables are hypothesized to influence the dependent variable. Multiple linear regression analysis will be carried out if the number of independent variables is at least two or more and translate into several sub hypotheses which state the influence of the most dominant independent sub variable on the dependent variable. Methods of presenting data using a variety of software, such as Microsoft Excel and SPSS. Microsoft Excel is used to summarize and collect quantitative data for later processing. Meanwhile, SPSS is used to perform statistical tests on data collected using a questionnaire that has been previously distributed. After that, the results of the analysis of each test carried out will be presented descriptively in narrative form to explain the research results in more detail. The research data is processed using SPSS 22 software by performing descriptive statistical testing, testing data quality by testing validity and reliability, testing classical assumptions. with the normality test, multicollinearity test and heteroscedasticity test, and hypothesis testing with the coefficient of determination test, the F-value test (Simultaneous) and the Tvalue test (Pasioal). By doing this research, it is hoped that it can become a consideration or evaluation for public accountants regarding the influence of the independence, experience and competence variables on audit judgment.

### 3 RESULT AND DISCUSSION

In this study, the factors studied were independence (X1), experience (X2) and competence (X3) on audit judgment (Y). After doing data quality testing, in the form of validity test, reliability test. The classic assumption test is in the form of normality test, multicollinearity test, heteroscedasticity test and hypothesis test in the form of the coefficient of determination test, F test and T test using spss 22, then the hypothesis testing is known as follows:

Table 1: Summary of Hypothesis Test Results.

Hypothesis	Sig	A	Hypothesis Accepted / Rejected	Result
Independence has a significant effect on Audit Judgment.	.039	0.05	H1 accepted	Independence has a significant effect on Audit Judgment
Experience has a significant effect on audit judgment.	.833	0.05	H2 is rejected	Experience does not have a significant effect on Audit Judgment
Competence has a significant effect on audit judgment.	.000	0.05	H3 accepted	Competence has a significant effect on Audit Judgment

From the chart above, it can be explained that there is a significant influence between Independence (X1) and Competence (X3) on Audit Judgment (Y). but the variable experience (X2) does not have a significant effect on audit judgment.

Independence is very important in conducting an audit, an independent auditor must have better opinion quality and in accordance with reality than an auditor who is not independent, independence is the attitude of an auditor who is free from the influence of other parties, is honest, objective and impartial. The auditor is obliged to be honest not only with management and shareholders, but also to creditors and other users of financial statements who give confidence in the work of a public accountant. This means that the auditor must show honesty in formulating and expressing his opinion, must consider the facts as a basis for providing an opinion, the auditor must be objective and impartial. By testing the hypothesis it can be concluded that H1 is accepted. This indicates that the effect of auditor independence on the audit judgment that will be taken is significant. This means that an auditor who has a high level of independence will have better performance and can produce more precise opinions. This is in accordance with the research of (Drupadi and Sudana, 2015) which states that Independence has a significant effect on Audit Judgment. This is not in accordance with the research of (Azizah and Pratono, 2019; Primasari and Azzahra, 2015) which state that independence does not have a significant effect on Audit Judgment.

Experience is a combination of all that is obtained from the results of interaction or all that has been experienced, lived, tasted and borne through repeated interactions with fellow objects, nature, circumstances, ideas and senses. A person's work experience shows the types of work a person has done and provides a great opportunity for a person to do a better job with a more detailed way of thinking. Experience for auditors is important because professional auditors are auditors who have a lot of experience. The experience that the auditors have will make auditors who are proficient and think critically of audit evidence. By testing the hypothesis it can be concluded that H2 is rejected. This states that the effect of the auditor's experience on the Audit Judgment that he will take is not significant on the auditor's assessment. Therapy because the number of public accountants who answered the questionnaire were mostly Junior Auditors so they did not track them and there was a possibility that the auditor's experience would not have a significant effect. This is not in accordance with the research of (Yendrawati

and Mukti, 2015) which states that the audit experience has no influence on the Audit Judgment. But this is in accordance with the research of (Rani and Putra, 2016; Vincent and Osesonga, 2019; William, 2019) which state that audit experience has a significant influence on Audit Judgment. Auditor competence is the auditor's professional expertise and knowledge of his/her field of auditing, in the form of personal quality, general knowledge and special expertise. Auditor competence can be measured through the number of certificates, training, seminars or symposia. The more certificates you have and the more often you attend training, seminars/symposiums, the more competent the auditor will be in carrying out their duties.

By testing the hypothesis it can be concluded that H3 is accepted. This states that the influence of the auditor's competence on the audit judgment that will be taken is significant. This shows that the more competent the auditor is, the better his audit judgment will be. This is in accordance with the research of (Azizah and Pratono, 2019; Vincent and Osesonga, 2019; Muslim et al., 2018) which states that competence has a significant effect on Audit Judgment. But it is not in accordance with the research of Primasari and Azzahra, (2015) which state that competence does not have a significant effect on audit judgment.

## 4 CONCLUSION AND SUGGESTION

### 4.1 Conclusion

This study was made by the author and aims to prove empirically whether the independent variables owned by the author have an influence on the dependent variable. The independent variables owned by the author are independence, experience and competence. While the dependent variable is Audit Judgment. The research made by this author uses a sample of 49 questionnaires filled out by auditors who work at the public accounting firm located in Jakarta. 49 of these data is data that can be used in data processing systems. Testing in research used by this writer uses SPSS 22 software. Based on the results of the tests the author uses the SPSS 22 software and which has been described in the previous chapter. So the authors can conclude about penusi research as follows:

- Independence has a significant effect on Audit Judgment, this means that auditors who have a

high level of independence will have better performance and the assessors can produce more accurate opinions.

- Experience has no significant effect on Audit Judgment. It means that the effect of the auditor's experience on the audit examination that will be taken is not significant on the auditor's assessment.
- Competence has a significant effect on Audit Judgment. Meaning that the more competent the Auditor is, the more appropriate the audit assessment will be in accordance with reality.

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### 4.2 Suggestion

This research in the future is expected to provide quality results. Some input for researchers who will conduct in the future, namely:

- Future research can add other independent variables to determine the effect of other variables that can strengthen or weaken the dependent variable as a whole.
- Researchers in collecting the questionnaire should be made more evenly so there is no possibility of bias.
- Future researchers must also be able to determine the right time, when the auditor is not busy to get a high level of respondents.
- Public accountants are expected to pay more attention to the competence and independence of auditors because these variables are very influential, so that it is possible to minimize the incidence of auditors' assessment errors and improve the quality of public accounting firms in the eyes of the public.

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