

EFFECT OF EXPERTISE AND INDEPENDENCE OF AUDITORS ON AUDIT QUALITY: AN EMPIRICAL EVIDENCE

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ABSTRACT

This study aims to test the competency and independency of the Auditor on the Quality of Audit. The results of calculations using SPSS, showed that R^2 of 0.499 illustrates that the quality of the audit can be explained by the dependent variables amounted to 49.9%, while the remaining 51.1%, can be explained by other factors which are not included in this study, Obtained value of $F(7.309)$ Sig(0,000), means that there is a significant influence of dependent variables together to quality audit, there are no significant effects from experience, knowledge, and non audit services on the quality of audit and there are significant effects of long relationships with clients, pressure from clients, and review co-auditors on audit quality.

KEYWORDS: Experience, knowledge, long relationships with clients, pressure from clients, non-audit services, audit quality.

INTRODUCTION

People still do not understand that the auditor only expresses the fairness in the presentation of financial statements. There are many cases of companies who "fall" due to business failure that is associated with the failure of auditors. There are many factors that affect the ability of auditors, including knowledge and experience. To perform auditing tasks, auditor requires a knowledge of auditing (general and specific) and knowledge of the field of auditing, accounting, and industrial clients (Kusharyanti (2003).

To support the professionalism as a public accountant, the auditor in carrying out audit tasks should be guided by the auditing standards established by the Institute of Chartered Accountants (ICAI), the general standards, standards of field work and reporting standards. But in addition to the standard audit, public accountant must also comply with a code of ethics governing the conduct of public accountants in conducting the practice of his profession with fellow members and the general public. This code of conduct should govern the professional responsibility, competence and professional caution, confidentiality, professional behavior and technical standards.

The possibility that the auditor will find misstatement depends on the quality of the auditor's understanding (competence) while measures reported misstatements depends on auditor independence. Independence does not mean the attitude of a prosecutor in a court case, but more can be equated with an attitude of impartiality of a judge. Auditor recognizes the obligation to be honest not only to the management and owners of the company, but also to creditors and other parties who put trust in the independent auditor's report, as prospective owners and creditors.

It is interesting to note that the public accounting profession is like a double-edged sword. On one side auditor must pay attention to the credibility and ethics of the profession and on the other side auditor faces pressure from clients in a variety of decision-making. If the auditor is not able to resist the pressure from clients such as personal, emotional or financial, the independence of auditors is reduced and can affect the quality of the audit.

There are several studies on the quality of audits that have done well in terms of topics and research methods (Kusharyanti, 2003). In terms of research methods, it is still little research done on the development of a conceptual framework that could get something to audit quality. Development of a comprehensive model of the quality of audit needs to be done so that the model can obtain the complexity found in audit quality research. According to the study Mayangsari (2003) states that the inexperience of the auditor increasingly becoming sensitive to the misstatement of financial statements.

Research of Aji (2009) states that the independence, experience, and accountability influence simultaneously to audit quality. In addition, the independence and accountability

variables have partial effect on audit quality and the experience variable has no effect on audit quality.

Agency Theory describes the conflict between management as an agent by the principal as the owner. Principal wants to know all information including management activities, related to investments or funds in the company. This is done by asking the accountability report on the agent (management). Based on these reports principals assess management performance. But what often happens is the tendency of management to take action that makes the report look good, so its performance is considered good.

The quality of audit is determined by two things, namely competence (skills) and independence, both of these directly influence the quality and potentially affect each other. Furthermore, the user perception of the quality of the audit of financial statements is a function of their perceptions of the independence and expertise of auditors. The ability to find a material misstatement in the financial statements of the company depends on the competence of auditors, while the willingness to report the findings of the misstatement depends on its independence.

Hypothesis

H1: audit experience has positive effect on audit quality.

H2: Knowledge of auditor positive effect on audit quality.

H3: Old relationships with clients negatively affect audit quality.

H4: Pressure from clients negatively affect audit quality.

H5: The study of co-auditor has positive effect on audit quality.

H6: The provision of services other than audit services negatively impact on audit quality.

METHODOLOGY

This research includes field studies, based on the relationship between variables, this research included in an associative causal research as it aims to determine the effect between variables. Data were collected through questionnaire filled or answered by thirty nine auditors. The questionnaire consisted of two parts. The first section contains a number of questions of a general nature. The second part, containing a number of questions related to the expertise and independence of auditors. Technical analysis used include descriptive statistics, the classical assumption and the statistical test. To support the data analysis SPSS was used.

RESULTS

Table 1. Overview of Distribution Questionnaire

No.	Description	Amount Questionnaire	Percentage
1.	Distribution of the questionnaire	45	100%
2.	Questionnaire back	39	87%
3.	The questionnaire was not returned	6	13%
4.	The questionnaire can be processed	39	87%

Sources : Data processed, 2014

Descriptive statistics

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Quality Audit	39	14.00	29.00	21.9231	3.73028
Experience	39	13.00	27.00	21.7436	2.97991
Knowledge	39	10.00	24.00	18.2308	2.99527
Long Relation With Clients	39	2.00	10.00	6.3077	1.62471
Pressure Clients	39	8.00	20.00	14.7436	2.60281
Review Co Auditor	39	2.00	10.00	6.5641	1.69822
Non Audit Services	39	6.00	15.00	11.2564	1.90177
Valid N (listwise)	39				

Sources: Data processed with SPSS, 2014

Table 2 shows the experience variable forms an average of 21.74. Variable knowledge indicates that, on average, the study subjects had good knowledge as an auditor at 18.23. Variable long-standing relationships with clients show an average yield of 6.31 means that they have a pretty good relationship with the client. Variable pressure from clients in the self-assessment auditor shows an average yield of 14.74 means that the assessment of the subjects that they receive enough pressure from clients to provide the best for the client. Variable review co auditor auditor with the self-assessment show an average yield of 6.56, meaning the assessment of the subjects that they are they enough to get a review of the audit results of the auditor colleagues. Variable non-audit services from auditors with auditor self-assessment show an average yield of 11.26 indicates their assessment of the subjects that they can provide non-audit services. The variable quality of the audit of the auditor with auditor self-assessment show an average yield of 21.92. The average value indicated the assessment of the subjects that they can provide high-quality audit.

Validity and Reliability

After the validity test showed that all the indicators used to measure all the variables in this study declared as valid items. Provided that the indicators for the variables used in this study do not have the correlation value greater than 0.316. Likewise, variable testing Experience, Knowledge, Long-standing Relationships With Clients, Pressure From Client, review of the Companion auditor and Non Audit Services has a reliable status. This is because the value of the variable Cronbach's alpha greater than 0.6. This condition also gives the sense that all these variables can be used in subsequent analysis.

Classic Assumption Testing Results

Normality test

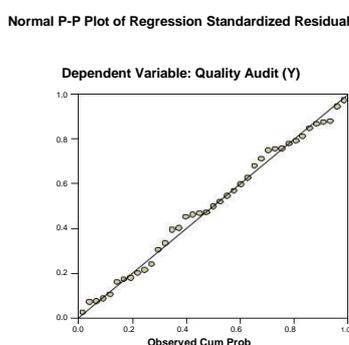


Figure 1. Normality Test

If seen by the graph above, the data is from all the normal distribution. This is because all follow the line normality indicated by dots which are not far from the diagonal line.

Multicollinearity Test

Table 3. Testing Multicollinearity Results

Model	collinearity Statistics		Result
	tolerance	VIF	
1 Experience	, 885	1,130	There is no multicollinearity
Knowledge	, 786	1,272	There is no multicollinearity
Long Relation With	, 584	1,712	There is no multicollinearity
Clients	, 525	1,905	There is no multicollinearity
Pressure Clients	, 941	1,062	There is no multicollinearity
Review Co Auditor	, 979	1,022	There is no multicollinearity
Non Audit Services			

Sources: Data processed, 2014

Heteroskedasticity Test

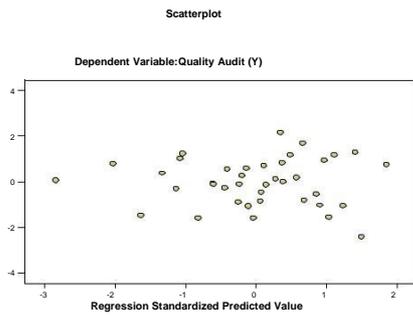


Figure 2. Heteroskedasticity Test

Figure 2. Heteroskedasticity Test

From the graph, dots are spread randomly, do not form a particular pattern is clear, and spread both above and below the 0 (zero) on the Y axis. Due to a problem heteroscedasticity on the white test data must be improved by way Transform Compute Variable. Transform Compute Variable aims to minimize the data in order to avoid problems heteroskedastistas. The test results after Transform Compute Variable white can be seen from the table below. Based on the results above the white test after transform compute variable can be concluded that there was no trouble heteroskedastistas for $N \cdot R^2 < X^2$ is $7.566 < 12.5916$.

DISSCUSSION

Analysis of Effect of Competency and Independency Auditor to the Quality Audit of Auditor Public Accountant Firm in Palembang.

Table 4 . Model Summary

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					of R Square Change	F Change	df1	df2	Sig. F Change	
1	.440 ^a	.194	.043	6.82148	148.194	1.281	6	32	.294	1.912

a. Predictors: (Constant), Non Audit Services, Knowledge, Experience, Review Co Auditor, Long Relation With Client, Pressure Clients

b. Dependent Variable: Audit Quality

Hypothesis testing

Multiple regression model used in this study stated following equation:

$$Y = 2,571 + 0,067 X1 - 0,074 X2 + 0,700 X3 + 0.652 X4 + 0.559X5 + 0,132X6 + e$$

Where

Y : Quality Audit

X1: Experience

X2: Knowledge

X3: Long relationships with clients

X4: Pressure from clients

X5: Review of co-auditor

X6: non-audit services provided by KAP

β_1 - β_6 : Coefficient

e: Error

F-test

F-test was intended to determine the effect of independent variables namely Experience, Knowledge, long Relationships With Clients, Pressure From Client, Review of the Companion Auditor and non-audit services simultaneously (together). The criteria used is

Ho: There is no effect of Experience, Knowledge, long Relationships With Clients, Pressure From Client, Review of the Companion Auditor and non-audit services to audit quality.

Ha: There is the influence of Experience, Knowledge, long Relationships With Clients, Pressure From Client, Review of the Companion Auditor and non-audit services to audit quality.

Table 5. Anova

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	305,709	6	50,951	7,309	,000 ^a
	Residual	223,061	32	6,971		
	Total	528,769	38			

a. Predictors: (Constant), Non Audit Services (X6), Knowledge (X2), Review Co-Auditor (X5), Experience (X1), Long Relation With Clients (X3), Pressure Clients (X4)

b. Dependent Variable: Quality Audit (Y)

The test results of overall model obtained F value of 7.309 with a significance probability of 0.000. Thus Ho rejected and Ha accepted, meaning that the variable Experience, Knowledge, long Relationships with Clients, pressure from clients, review of co-Auditor and non-audit services jointly has significant effect on audit quality.

Variable Experience, long relationships with clients, pressure from clients, review co-auditors and non-audit services has positive effect on audit quality, while the variable Knowledge has a negative impact on audit quality. Experienced auditors tend to have good accuracy and the ability to resolve any job.

The results of this study are supported by research conducted by Harhinto (2004) which states that the auditor's experience is positively related to audit quality. But disagreed with Suyatmini (2002) who found the experience not contribute to improve the skills of auditors, which means the experience not affect the quality of the audit.

T-test

T-test was conducted to understand the effect of partially independent variables namely Experience, Knowledge, long Relationships with Clients, pressure from the Client, review of the Companion Auditor as well as services and non-audit on the dependent variable.

Table 6. Hypothesis Testing

Model		Coefficients ^a				Collinearity Statistics		
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
B	Std. Error	Beta						
1	(Constant)	2,571	5,827		,441	,662		
	Experience (X1)	,067	,161	,051	,416	,680	,885	1,130
	Knowledge (X2)	-,074	,207	-,046	-,356	,724	,786	1,272
	Long Relation With Clients (X3)	,700	,340	,309	2,056	,048	,584	1,712
	Pressure Clients (X4)	,652	,227	,455	2,871	,007	,525	1,905
	Review Co Auditor (X5)	,559	,260	,254	2,149	,039	,941	1,062
	Non Audit Services (X6)	,132	,228	,067	,580	,566	,979	1,022

a. Dependent Variable: Quality Audit (Y)

a. Effect of Experience to the Quality Audit

From the calculation results obtained t value of 0.416 with a significance level of 0.680. It can be concluded that the experience has no significant effect on audit quality. So the decline in the perception of the respondents fellow auditors and non-audit services has positive effect on audit quality, while the variable knowledge has a negative impact on audit quality. Experienced auditors tend to have good accuracy and the ability to resolve any job. The results of this study are supported by research conducted by Harhinto (2004) which states that the auditor's experience is positively related to audit quality. But disagreed with Suyatmini (2002) who found the experience not contribute to improve the skills of auditors, which means the experience nor affect the quality of the audit.

b. Effect of Knowledge to Quality Audit

From the calculation results obtained t value of -0.356 with a significance level of 0.724. It can be concluded that the knowledge has no significant effect on audit quality. The results of this study are supported by research conducted by Bonner (2006) who found knowledge about the specific task of helping experienced auditor performance through component selection and waste proof of the determination of audit risk.

c. Effect of Long Relationships With Clients to the Quality Audit.

From the calculation results obtained t value of 2.056 with a significance level of 0.048. It can be concluded H_a accepted. Meaning effect of long-standing relationships with clients have a significant effect on audit quality, increasing the reception of respondents to a long relationship with clients may result in improvement of audit quality in the examination of financial statements. The results of this study are supported by research conducted by Harhinto (2004), which essentially indicates that the length of audit quality relationships (audit tenur). But the result of testing this hypothesis is not consistent with the result of research Suyatmini (2002), which long-standing relationship with clients does not affect the quality of audit. This study shows auditors feel that long-standing relationship with clients does not undermine its independence, may even improve the quality of audits.

d. Effect of Pressure from Client to the Quality Audits

From the calculation results obtained t value of 2,871 with a significance level 0,007. It can be concluded H_a accepted. This means that pressure from client significant effect on audit quality. So the increase in respondent's perceptions of pressure from clients and influence of clients in

the audit process may result in improvement of audit quality in the examination of financial statements.

The positive influence of the client variable pressure means the higher the pressure the higher the level of client audit quality. The results of this study are supported by research conducted by Harhinto (2004), which essentially shows that the pressure from clients represent a threat to the independence of auditors. But this does not agree with Suyatmini (2002) which found an objective auditor to audit even though the auditors has been doing it for a particular client for several years. In addition, the auditor also to overcome the pressure of the client so that the pressure of a client does not affect the quality of audit.

e. Effect of Review Co-Auditors to Quality Audit

From the calculation results obtained t value of 2,149 with a significance level 0,039. It can be concluded H_a accepted meaning that review co-auditor has significant effect on audit quality. So increasing the reception of respondent to the review co-auditor of the audit may result in improvement of audit quality in the examination of financial statements.

The positive influence of study variables with their co-auditors means the review of co-auditors can enhance the success in implementing the audit. The results of this study are supported by research conducted by Harhinto (2004) stated that the review of co-auditor can improve the implementation of quality control do accountants to maintain performance.

f. Effect of Non-Audit Services to Audit Quality

From the calculation results obtained t value of 0.586 with a significance level of 0.566. It can be concluded that non-audit services has no significant effect on audit quality. So increasing the reception of respondents to the non-audit services to the auditor can result in reduced audit quality in the examination of financial statements.

Coefficient of Determination

Table 7. Coefficient of Determination

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,760 ^a	,578	,499	2,640	2,280

a. Predictors: (Constant), Non Audit Services (X6), Knowledge (X2), Review Co Auditor (X5), Experience (X1), Long Relation With Cilents (X3), Pressure Clients (X4)

b. Dependent Variable: Quality Audit (Y)

Based on the calculation of regression estimation, the value of the coefficient of determination (R^2) was 0.499 means that 49.9% of variation of all the independent variables such as experience, knowledge, long-standing relationships with clients, review co-auditors as well as non-audit services can explain the dependent variable is the quality audit, while the remaining 50.1% is explained by other variables not proposed in this study.

CONCLUSION

1. Experience auditor, the auditor's knowledge, long relationships with clients, pressure from clients, review of the co-auditors and non-audit services jointly have significant effect on audit quality.
2. Experience has no significant effect on audit quality.
3. Knowledge has no significant effect on audit quality.
4. Long relationships with clients have a significant effect on audit quality.
5. Pressure from clients has significant effect on audit quality.
6. Review of co-auditor has significant effect on audit quality.
7. The non-audit services has no significant effect on audit quality.

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