

## AUDIT QUALITY: TIME BUDGET PRESSURE, DYSFUNCTIONAL AUDITOR BEHAVIOUR AND THE UNDERSTANDING OF INFORMATION TECHNOLOGY AS MODERATOR

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### Abstract

Time budget or audit time budget can be triggering factor of dysfunctional auditor behavior. However, there are indications that an understanding of information technology can minimize the dysfunctional auditor behavior due time budget. The motivation of Public Accountant Firm restricts the audit time through the audit time planning, in order to firm can compete in terms of audit fee. This research purposes is to test (1) Time budget pressure effect on dysfunctional behavior, (2) an understanding of information technology in moderating the correlation of time budget pressure and dysfunctional auditor behavior, (3) the influence of time budget pressure to audit quality and (4) the influence of dysfunctional auditor behavior to audit quality.

The unit analysis of this research is the auditor's Firms on the island of Java, which registered with the Financial Services Authority. The sampling techniques using convenience sampling, which obtain 20 data. The Statistic analysis method were used simple regression and regression with moderating variable.

The results are (1) time budget pressure affects the dysfunctional behavior that consists of audit quality reduction behavior, under-reporting of time and premature sign off, (2) The understanding of information technology can moderate the correlation of time budget pressure and dysfunctional auditors behavior, (3) Time budget pressure has no effect on audit quality and (4) Dysfunctional auditor behavior influence the audit quality, particularly on the reduction of auditor behavior. The understanding of information technology is a novelty in this study.

*Keywords:* Audit Quality, Time Budget Pressure, Dysfunctional Auditor Behaviour and the understanding of information technology

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### 1. Introduction

Business decisions require relevant information, accurate and timely, in order to avoid mistakes. For example, the accounting information as one of the information which used in making business decisions, and therefore must be qualified accounting information, among other things meet the criteria for accurate and timely. To obtain qualified accounting information, the company need the services of external auditors to audit the accounting information, so that the external auditor may issue opinions show how accounting information is generated and whether the accounting information had complied with the accounting standards. Therefore, the audit of financial statements requires the auditor reputation (DeAngelo, 1981; Abidin & Zaluki, 2012).

This reputation is related to the perception of the external auditors. Therefore, the external auditor is obliged to comply with the Public Accountants Professional Standards (SPAP) and be required to complete the audit process on time and have a certain quality. Auditors need to estimate the time required audit. The time budget is used to calculate the cost of the audit and measure the auditor performance (Wagginer and Cashel, 1991 in Prasita and Adi, 2007). The budget is often unrealistic time with real time audit, especially if (1) the relatively large size of the client company, (2) The public accountant firms audit the few companies at the same time and the audited financial statements must be completed at the same time. The auditor must be required for the regulation of Bapepam No.X.K.2 / KEP-36/2003, namely that the submission of annual audited financial statements to Financial Services Authority no more than 90 days after the date of the annual financial statements. Time Budget may be pressed for the auditor, as auditor should be able to complete the audit in time to audit fee be rational and firm competitiveness. However, the condition can lead to dysfunctional behaviour.

Dysfunctional auditor behavior consists of (1) audit quality reduction behavior (AQRB); behaviors that can reduce the quality of the audit because the decrease in the detection of the application of accounting standards and supervision document (Otley and Pierce, 1996; Braun, 2000), (2) Under reporting of time (URT); auditor completed its work on time, without reporting the actual time including any overtime) and (3) Premature sign off (PSO); reduction of audit procedures (Coram et al., 2003). The issues of time budget pressure and dysfunctional behavior related to the auditor to the utilization of information technology. The development of information technology can have an impact on the delivery of accounting information in real time and accurately, so as to improve the quality of decision-making (Rezaee et al., 2001).

The research on time budget pressure, dysfunctional behavior of auditors and audit quality has been done before, but it has not been associated with the understanding of information technology. Therefore, the motivation of this study is to examine whether the understanding of information technology is a factor that moderate the relationship of time budget pressure and dysfunctional behavior and the impact on audit quality. This research was conducted at the public accountant firm (PAF) in Java which registered in the Financial Services Authority, because PAF in the island of Java dominates 95% of public company audit in Indonesia (IAI KAP, 2013).

## 2. Literature Review

Time budget pressure are demanding to the auditor to perform time, efficiency, as well as the allocation of audit predetermined time (Margheim, Kelley and Pattison, 2005). Time budget pressure can occur when the budget amount less than the total time available and auditor responds to this by utilizing their personal time without reporting the actual amount of time used to complete the task of the audit (Magheim and Kelley et.al, 2005). Time budget pressure likely to cause the failure of auditors to conduct an audit in accordance with the Standards of Professional Public Accountants, as auditors reduce detection application of accounting standards and supervision document (Raghunatan, 1991; Pierce and Sweeney, 2004). Reduction of detection of standard implementation and supervision reduction of documents is dysfunctional behavior auditor that reduce audit quality.

### **H<sub>1</sub>: Time Budget Pressure affects Audit Quality Reduction Behavior**

Time budget pressure can occur when the budget amount less than the total time available and auditor responds to this by utilizing their personal time without reporting the actual amount of time used to complete the task of the audit (Margheim and Kelley et.al, 2005). Auditors perform under reporting of time with the aim of minimizing the excessive budget. Under-reporting of time will carry over to the next period (Flaming, 1981 in McNamaram and Liyanarachchi, 2008), means that due to under-reporting of time does not make PAF evaluate and revise the budget time in planning the audit, so the time budget raises the pressure for auditors to remain on under-reporting of time (Coram et al., 2003).

### **H<sub>2</sub>: Time Budget Pressure affects the underreporting of time**

The audit procedures are detailed instructions for collecting the type of audit evidence to be obtained at some time during the audit (Aren et.al, 2012; 158). Auditor belief that adheres to budget time with regards to performance assessment and the auditor's willingness to work is deemed good, fast and competent. This will force the auditor to work in accordance with the time budget, although it must do dysfunctional behavior through premature termination of the audit steps in the audit program (Sujana and Suwarjono, 2006), which reduces the number of jobs in the audit step. Due to time budget pressure, 60% auditor premature sign off (Otley and Pierce, 1996; Coram et al., 2003 and Weningtyas et al., 2006).

### **H<sub>3</sub>: Time Pressure affects Premature budget sign off**

The understanding comes from the word understood, that understands and knows about something, while the meaning of "technology" is a scientific method to achieve practical purposes, which may include the means necessary to make human survival (Porwadarminta, 1991: 740). Information technology consists of software, hardware and network computing (Turban et. Al; 2005: 48). Information technology consists of software, hardware and network computing (Turban et. Al; 2005: 48). Information technology can assist in development of accounting information timely and accurate (Rezaee and Sharbatoghlie, 2001 and Bierstaker et al., 2001). Information technology in this study may be the information technology used in the company being audited and software used to audit, such as Microsoft Office, Pro audit and audit command language (ACL). Thus the understanding of information technology is the ability of auditors to understand the information technology used by the company



clients and the ability to operate Microsoft office and software audit (Porwadarminta, Turban et. Al; 2005, 48 and Aidi and Kent, 2013) in order to obtain work relatively fast and accurate. Research on the understanding is the understanding of information systems and not information technology (Prasita and Adi, 2007). An understanding of information systems as a moderating relationship complexity of the audit and audit quality.

The complexity of the audit related to the perception of the difficulties auditing (Restuningdiah and Indriantoro, 2000). Despite the complexity of the audit is not the same as the time budget pressure, however, the difficulty in completing the audit assignment can occur due to time budget pressure. It can be concluded also that if the auditor mastering or understanding of information technology, it is capable of understanding the relationship weakened the time budget pressure with dysfunctional behavior. The auditor's understanding of information technology would help to complete the work in accordance with the time that has been planned, so as to minimize the pressure within budget and minimize time dysfunctional behaviour.

**H4: An understanding of information technology as moderating the relationship time budget pressure with dysfunctional behavior**

Time budget pressure is the pressure arising due to lack of resources (time) is given to carry out the task. Audit realistic time, not too long or too fast (Ahituv and Iqbal, 1998, in Prasita and Adi, 2007). Declining quality of the audit due to their time budget pressure (McDaniel, 1990).

**H5: Time budget pressure affects the quality of audit**

Dysfunctional behavior is a behavior that occurs due to time budget pressures, the behavior consists of audit quality reduction behavior, premature sign off and under reporting of time. Margheim research results and Kelley (1992) showed that 54% of staff never done dysfunctional behaviors that degrade the quality of the audit. Other research shows that 60% auditor premature sign off that reduce audit quality (Otley and Pierce, 1996). Similarly, the research Coram et al., (2003) showed that 68% sometimes take measures that reduce the quality of the audit.

**H6: Dysfunctional Behavior simultaneously and partial impact on audit quality.**

**3. Data and Method**

The research variables consist of : (a) time budget pressure, (b) dysfunctional auditor behavior include quality audit reduction, premature sign off, under reporting of time, and (c) understanding of information technology (AIT). The whole ordinal scale research data with convenience sampling obtained 20 respondents who filled out a questionnaire as a research instrument. This study used previous research questionnaire; for time budget pressure and dysfunctional behavior variables by Silaban's questionnaire (2009), likewise for a quality audit questionnaire by Weningtyas et. al (2006) which has been modified. Meanwhile, for the variable understanding of information technology developed by the researchers themselves. This study analyzed by statistical analysis consisting of (1) test the quality of the data, descriptive statistical analysis using continuum line, (2) regression analysis with the moderator and mediator variables can be explained as follows:

$$\text{Result and Dis}PDA_{(QAR,URT,PSO)} = \beta_0 + \beta_1TBP + \varepsilon \dots \dots \dots (1)$$

$$PDA = \beta_0 + \beta_1TBP + \beta_2TBP * PTI + \varepsilon \dots \dots \dots (2)$$

$$KA = \beta_0 + \beta_1TBP + \varepsilon \dots \dots \dots (3)$$

$$KA = \beta_0 + \beta_1QAR + \beta_2URT + \beta_3PSO + \varepsilon \dots \dots \dots (4)$$

PDA = Dysfunctional Auditor Behaviour (DAB)

TBP = Time budget pressure  $\beta_0 = \text{Konstanta}$

QAR= Quality Audit Reduction  $\beta_i = \text{Koefisien regresi } i=1,2$

URT= Under Reporting of Time

PSO =Premature Sign off

PTI = Understanding of Information Technology (UIT)



#### 4. Discussion

The number of samples in this study are 169 auditors, but the response rate of respondents were 20 respondents, or 11.8%. Nevertheless, the findings of this study worth analyzing, because it meets the criteria of convenience sampling responses to the questionnaire respondents have tested the quality of the data. The results of the test statistic contained in Table 1, indicate that the standardized residuals normality testing using a One-Sample Kolmogorov-Smirnov Test with a significance level of 0.818 more than  $\alpha = 5\%$ , means the normal distribution of data.

**Table.1: One-Sample Kolmogorov-Smirnov Test**

		Standardized Residual
N		20
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.97332853
Most Extreme Differences	Absolute	.142
	Positive	.068
	Negative	-.142
Kolmogorov-Smirnov Z		.633
Asymp. Sig. (2-tailed)		.818

a. Test distribution is Normal.

b. Calculated from data.

The assessment of the elements effect of the elements TPB dysfunctional auditor behavior was done partially, because the independent variable only one. The assessment of the effect of TPB to the elements of dysfunctional auditor behavior (DAB) was done partially as follows:

**Table.2: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.271	.748		.362	.722
	TBP	.540	.217	.506	2.490	.023

a. Dependent Variable: AQR

The analysis result showed that TBP affect AQR 0.540 with a significance level of less than  $\alpha = 5\%$ , means that TPB effect on AQR. TPB lead dysfunctional auditor behavior by reducing the detection of application of accounting standards and supervision document (Raghunatan, 1991; Pierce and Sweeney, 2004). The results are consistent with research Raghunatan (1991); Pierce and Sweeney (2004).

**Table.3: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.163	.568		2.048	.061
	TBP	.571	.164	.694	3.472	.004

a. Dependent Variable: URT

Table.3, show that TPB affect the URT with regression coefficients 0.571 and the significance level 0.004 less than  $\alpha = 5\%$ . Thus, it can be said that the TBP can cause dysfunctional auditor behavior (DAB), by using personal time to work (overtime), but was not reported, so that the impression that the time budget does not suppress the auditors, so that the firm did not need to conduct an evaluation of the planning audit time for the future. The study result is consistent with the results of research Flaming (1981) in McNamaran and Liyanarachchi (2008) and Coram et al., (2003).

**Table.4: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.686	.405		1.693	.113
	TBP	.399	.122	.659	3.282	.005



**Table.4: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.686	.405		1.693	.113
TBP	.399	.122	.659	3.282	.005

a. Dependent Variable: PSO

Table.4, show that TPB affect the PSO with regression coefficients 0.399 and the significance level 0.005 less than  $\alpha = 5\%$ . It's mean that TBP affect PSO. TBP resulted perform a dysfunctional auditor behavior by reducing the number of jobs in audit procedure. The results are consistent with the opinion of Otley and Pierce (1996), Coram et al., 2003, and Weningtyas., et., al (2006).

**Table.5: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.310	.292		1.059	.309
TPB	.956	.143	1.344	6.707	.000
InteraksiTPBPTI	-.100	.028	-.706	-3.524	.004

a. Dependent Variable: PDA

The regression analysis with a pure approach moderator (Ghozali, 2011), at first not significant, since there are 4 of data outliers, but after removing outliers from the data, the results are significant. The results of regression analysis with a moderating variable showed the regression coefficient of variable interaction of TBP-TPI= -0.100 and the significance level = 0.004 less than  $\alpha = 5\%$ , thus it can be said that the TPI is moderating relationship TBP with DAB. In other words that the UIT can minimize the DBA as a result of TBP.

**Table.6: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.546	.728		4.873	.000
TBP	.137	.211	.152	.652	.523

a. Dependent Variable: KA

Tabel.6. shows that the regression coefficient= 0.137 with a level of significant= 0.523 above  $\alpha = 5\%$ . Thus it can be said that TBP does not affect the quality of the audit. The argument can be delivered, that TBP does not directly affect the quality of the audit.

Based on Table.7 that show the dysfunctional auditor behaviour (DAB) affects audit quality (AQ), with regression coefficient ( $\beta$ ) = - 0392 and a significance level= 0.04 of less than  $\alpha = 5\%$ .

**Table.7: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.420	.303		14.571	.000		
AQR	-.392	.114	-.831	-3.431	.004	.665	1.503
URT	.099	.094	.229	1.064	.307	.844	1.184
PSO	.075	.093	.182	.804	.436	.763	1.311

a. Dependent Variable: KA

The results of this study are consistent with the opinion of Raghunatan (1991) and Pierce and Sweeney (2004), namely that the TBP potentially cause failure of auditors to conduct an audit in accordance with the Public Accountants Professional Standards, as a result of reducing the detection auditors application of accounting standards and reducing supervision to the document. While the URT and PSO has no effect on audit quality.

## 5. Conclusion

The result showed that the time budget pressure (TBP) effect all components of the DAB. An understanding of information technology is moderating relationship TBP with DAB, because understanding IT will help the audit process more accurately and timeline, so that TBP does not cause DAB for auditors. TBP does not affect the AQ.

Meanwhile, The element of DAB that affects AQ, only AQR.

Although this research has novelty, however, there is limited research on the amount of sample that is inadequate due to the low response rate of respondents

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