



Influence of Ethical Environment and Task Complexity on Audit Judgment with Personality Type and Locus of Control As Moderated Variables

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Abstrak

Tujuan penelitian ini adalah untuk mengetahui Pengaruh Lingkungan Etika dan Kompleksitas Tugas terhadap Audit Judgment dan interaksi kedua variabel independen tersebut dengan Tipe Kepribadian dan Locus Of Control sebagai variabel moderasi terhadap Audit Judgment. Penelitian ini menggunakan data primer dengan populasi auditor yang bekerja pada Kantor Akuntan Publik di Kota Semarang. Penelitian ini menggunakan teknik convenience sampling untuk menentukan sampel. Penelitian ini menggunakan analisis regresi berganda dan uji interaksi selisih nilai mutlak untuk pengujian hipotesis positif signifikan terhadap audit judgment, kompleksitas tugas berpengaruh positif signifikan terhadap audit judgment. Lingkungan etika yang dimoderasi oleh tipe kepribadian berpengaruh signifikan terhadap audit judgment. Lingkungan etika yang dimoderasi oleh locus of control tidak berpengaruh signifikan terhadap audit judgment. Kompleksitas tugas yang dimoderasi oleh tipe kepribadian berpengaruh signifikan terhadap audit judgment. Kompleksitas tugas yang dimoderasi oleh locus of control tidak berpengaruh signifikan terhadap audit judgment.

Abstract

The purpose of this research is to determine the effect of ethical environment and task complexity on audit judgment and the interaction of both independent variables with personality type and locus of control as moderated variable towards audit judgment. This study uses primary data with all auditors in Public Accountant Offices in Semarang as the population. The sample was determined by using convenience. This research was analyzed by using multiple linear regression and absolute difference value in SPSS version 21. The result shows that ethical environment has significant positive effect on the audit judgment, task complexity has significant positive effect on audit judgment. Ethical environment moderated by personality type has significant positive effect on audit judgment, ethical environment moderated by locus of control has no significant positive effect on the audit judgment. Task complexity moderated by personality type has significant positive effect on the audit judgment, task complexity moderated by locus of control has no significant positive effect on the audit judgment.

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INTRODUCTION

In the rapid growth of business, many entrepreneur compete each other by developing new business. The rivalry is not only on its high profit but also on the fairness of its financial statement. Regulation from Jakarta Stock Exchange No.Kep-306/BEJ/07-204 and regulation from Capital Market Supervisory Board No Kep-431/BL/2012 state that go public business must deliver its financial statement according to the Financial Accounting Standards (SAK) and has been audited by public accountant. The purpose of arranging financial statement based on standard is to give information of financial position of the business, performance, and financial position changes which will be useful for most users in decision-making. Audit role is very important to reveal the fairness of financial statement of an entity. The auditor focused on act of determining whether the information stated reflects the economic events happen during the accounting period accurately (Arens, 2010:7). Professional audit will reveal misstatement which happens during accounting period. It happens because the fairness of financial statement assessed based on assertion in each matter in the financial statement. While making audit report, an auditor should consider several things, they are materiality, risk, and judgment. Thus, an auditor should be careful in auditing and deciding the judgment.

According to Professional Standards of Public Accountant and Audit Standard 200, auditor should use professional consideration in carrying out and planning audit upon financial statement (Ikatan Akuntan Indonesia, 2016). In audit process, the opinion and judgment given by the auditor are based on the past, present, and future events. The auditor must collect and evaluate evidences which will be used to support his judgment. Those evidences are rational basis in forming the judgment. Either appropriate or inappropriate the judgment will be, it determines audit result and opinion given by the auditor. Recently, public accountant profession is considered to contribute on many bankruptcy. People make public accountant the scapegoat rather than blaming the one who actually responsible for the bankruptcy. For example in Toshiba Corporation case in 2015, after an investigation it was proved that the Executive Officer (CEO) himself and senior officials who manipulated profit report of US\$ 1,2 billion to achieve division's hard target. Toshiba's external auditor was unable to detect the manipulation (www.liptan6.com, 2015). Another case is Satyam Computer Service in 2009. It is the biggest business case in India caused by balance sheet and asset falsification by Satyam's chairman, B. Ramalinga Raju. Treasury and balance increase was more than \$ 1,5 billion and it was exaggerated to \$ 100 million debtor position and \$ 250 million understated liabilities for the owner's interest. Price Waterhouse India, Satyam's auditor for the last 8 years stated that their audit report might be inaccurate and unreliable as it was done based on information from Satyam management (www.detik.com, 2009). The same accounting case happens in Indonesia in 2009 by Raden Motor Jambi when a public accountant made financial statement for Raden Motor corporation to get Rp 52 billion loan from BRI Jambi branch.

Purpose determining theory assumes that there are some kind of direct relationship between specific measurable definition and performance, if manager knows what purposes to be achieved, they will be more motivated to work and improve their performance. According to Edwin Locke (Kreitner, 2014:228), purpose is something that want to be achieved by an individual. Attribution theory explains how a person interprets events, reasons, or cause of his behavior. This theory is developed by Fritz Heider who states that behavior of a person is determined by combination of internal forces, that are factors from the inside, such as effort, and external forces, that are factors from the outside, such as troubles at work or luck. From those previous failure audit cases, there are many factors affecting auditors in making judgment. The researcher chose ethical environment, task complexity, personality type, and locus of control to be investigated as factors affecting audit judgment. The reasons for choosing those variables are because there is inconsistency in previous

researches. This research needs to be carried out to get empirical evidences of ethical environment and complexity effect on audit judgment with personality type and locus of control as moderated variable.

METHODS

Population in this research is auditors in Public Accountant Office in Semarang. In 2015 there were 257 auditors in 17 offices. Sampling is done through non probability sampling, that is by using convenience sampling method. Sample in this research is auditors work for 11 Public Accountant Office in Semarang with 43 questionnaires processed to be samples.

Type of data used in this research is quantitative data. Kuncara (2009:145) states that quantitative data is data which is measured by numeric scale (numbers). Source of data in this study is primary data which means that the data is taken from original source without intermediaries. The variables are measured by using question instrument measured by Likert scale from 1 to 5. This study uses multiple regression analysis and absolute difference value interaction test to examine the hypothesis by using SPSS 21. General equation of multiple linear regression is in the followings:

$$Y = \alpha + \beta_1 ZLE + \beta_2 ZKT + aAbsZLE_ZTKA - aAbsZLE_ZTKB + aAbsZLE_ZILOC - aAbsZLE_ZELOC + aAbsZKT_ZTKA - aAbsZKT_ZTKB + aAbsZKT_ZILOC + aAbsZKT_ZELOC + e$$

Note :

Y	= Audit Judgment
α	= Constant
ZLE	= Standardized Ethical Environment
ZKT	= Standardize Task Complexity
AbsZLE_ZTKA Type A	= Absolute Value of Difference of Ethical Environment and Personality Type A
AbsZLE_ZTKB Type B	= Absolute Value of Difference of Ethical Environment and Personality Type B
AbsZLE_ZILOC of Control	= Absolute Value of Difference of Ethical Environment and Internal Locus of Control
AbsZLE_ZELOC Locus of Control	= Absolute Value of Difference of Ethical Environment and External Locus of Control
AbsZKT_ZTKA A	= Absolute Value of Difference of Task Complexity and Personality Type A
AbsZKT_ZTKB B	= Absolute Value of Difference of Task Complexity and Personality Type B
AbsZKT_ZILOC Control	= Absolute Value of Difference of Task Complexity and Internal Locus of Control
AbsZKT_ZELOC Control	= Absolute Value of Difference of Task Complexity and External Locus of Control
e	= error

Dependent variable is variable influenced by another variable, in this case, audit judgment is the dependent variable. According to Jamilah et al in 2007, audit judgment is auditor policy in determining opinion about his audit result refers to formation of an idea, assumption, or prediction about an object, event, status, or another kind of events. This variable is measured by indicators developed by Jenkins and Haynes: 2003 (Pasananda, 2013), they are conditional policy, account receivables collectibility, materiality level, and transaction engineering. Audit judgment is influenced

by several factors, they are ethical environment and task complexity with personality type and locus of control as moderated variables.

Booth and Schulz (2004) state that ethical environment is a part of audit environment and specifically gives condition to auditor to operate and make decision. Putri (2013) state that auditor ethical environment include standard behavior for a professional aimed for practical and idealistical purpose. Standard behavior for a professional includes ethical principle according to Ethical Codes implemented by Indonesian Institute of Certified Public Accountants, they are integrity, objectivity, professional competence and accuration, confidentiality, and professionalism. According to Jamilah (2007) in Fitriani (2015), task complexity is the difficulty of a task caused by restricted capability, memory, and ability to integrate problems owned by a decision maker. This variable is measured by indicators which are developed by Jamilah et al in 2007, they are task structure, task variety, and task difficulty level.

As stated by Allport (Robbins, 2007), personality is dinamic organization in pschophysiological system of individual which determines his way to adapt uniquely to his environment. According to Frieidman and Rosenman (1974) in Kristanti (2012), there are two types of personality, they are personality type A and personality type B. Indicators developed by Kristanti is used to measure this variable. The indicators of personality type are ambitious, apathetic, competitive, busy, patient, relaxive, and no deadlines. Robbins (2007:138) defines locus of control as a level in which individual certain that they are the control holders of their selves. Internal locus of control means individuals whom certain that they are the control holders of whatever happen to their selves. Beside, external locus of control means individuals whom certain that whatever happens to their selves, it is controlled by external forces such as luck or chance. Indicators of internal locus of control are (1) ability; (2) interest; and (3) effort while indicators of external locus of control are: (1) fate; (2) luck; (3) social economical; (4) others influences (Rahmat, 2005).

RESULT AND DISCUSSION

Respondent profile description includes gender, age, educational background, and positional level. 29 (67.44%) respondents are males while the rest 14 (32.55%) respondents are females. In educational background, 5 (11.63%) respondents are post graduated, 38 (88.37%) respondents are bachelors. There are no diploma or vocational/high school graduate. In positional level, 31 (72.09%) respondents are junior auditor and 12 (27.09%) respondents are senior auditor. There are no respondents who hold supervisor, manager, or partner position. Then, how long has been respondent work, most of them, 23 (53.48%) respondents have been work for 1-3 years, 20 (46.51%) respondents have been work for >3 years and no respondent who have been work for less than a year.

Table 1. F Test Result

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	230.189	10	23.019	8.804	.000 ^b
	Residual	83.672	32	2.615		
	Total	313.860	42			

a. Dependent Variable: AJ

b. Predictors: (Constant), SNM2.4, SNM2.2, Zscore(L.E), SNM1.2, SNM1.3, Zscore(KT), SNM2.1, SNM2.3, SNM1.1, SNM1.4

Table 2. T Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	31.629	.843		37.501	.000
Zscore(L.E)	1.285	.274	.470	4.681	.000
Zscore(KT)	.785	.311	.287	2.525	.017
SNM1.1	-.524	.476	-.159	-1.100	.279
SNM1.2	1.536	.639	.368	2.404	.022
1 SNM1.3	-.626	.421	-.161	-1.485	.147
SNM1.4	-.439	.490	-.145	-.896	.377
SNM2.1	-.457	.428	-.132	-1.069	.293
SNM2.2	1.430	.556	.355	2.572	.015
SNM2.3	.009	.542	.002	.018	.986
SNM2.4	.664	.482	.169	1.377	.178

Dependent Variable: AJ

Table 2 can be written as the following equation:

$$Y = 31,629 + 1,285ZLE + 0,785ZKT - 0,524AbsZLE_ZTKA + 1,536AbsZLE_TKB - 0,626AbsZLE_ZILOC - 0,439AbsZLE_ZELOC - 0,457AbsZKT_ZTKA + 1,430AbsZKT_ZTKB + 0,009AbsZKT_ZILOC + 0,664AbsZKT_ZELOC + e$$

Table 3. Determination Coefficient Result

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.856a	.733	.650	1.617

a. Predictors: (Constant), SNM2.4, SNM2.2, Zscore(L.E), SNM1.2, SNM1.3, Zscore(KT), SNM2.1, SNM2.3, SNM1.1, SNM1.4

b. Dependent Variable: AJ

Regression analysis result shows less significance level that is 0,000 less than 0,05. Besides, coefficient parameter value on positive ethical environment variable shows that ethical environment has positive influence to audit judgment, which means that either good or bad ethical environment of Public Accountant Office effects the audit judgment made by the auditor. Attribution theory explains that a behavior of a person is determined by combination of internal forces, that is factors from the inside and external factor, which one of it is influenced by the environment. It means that a person will be more motivated to understand his environment and causes of events. When the ethics in a Public Accountant Office is higher, the judgment will be more qualified. Audit upon a financial statement based on ethics can improve responsibility of audit result. Besides, a good ethical environment makes audit judgment more objective. The better ethics on Public Accountant office, the more qualified judgment will be. The result of this research is in line with Putri (2013) who states that ethical environment has positive effect on auditor's audit judgment, but decline research done by Martinov and Pflugrath (2008) who states that a strong ethical environment has no effect on audit judgment quality.

Regression analysis result shows that significance level is 0,017 less than 0,05. Beside that, coefficient parameter on positive task complexity variable shows that ethical environment has positive effect on audit judgment made by auditor. Purpose determining theory explains that specific and difficult purpose with feedback will aim to higher performance. Purpose will tell the workers what to do and how much effort is needed. Auditor who is motivated to understand complex task to do will make more qualified audit judgment. Less understanding of task complexity will worsen the quality of the audit judgment. Otherwise, better understanding of it will heighten the quality of audit judgment. This result is in line with Wijayanti, et al. (2014) and Raiyani (2014) who agree that task complexity has positive effect on audit judgment but is in different line with Jamilah, et al (2007) in Raiyani (2014) who state that task complexity has no effect on audit judgment.

Based on absolute difference value test, personality type A is unable to moderate ethical environment influence on audit judgment. It is proved by significance value of absolute difference of ethical environment and personality type A with audit judgment is 0,279. It can be seen in table 2 that the interaction relationship is not significant. Besides, significance value of absolute difference of ethical environment and personality type B with audit judgment is 0,022 and proves that the interaction relationship is significant. As explained by attribution theory mechanism that behavior of a person is determined by combination of internal forces, factors from the inside, such as ability or effort, and external forces, that is factors from the outside, such as troubles in job or luck. Alim et al (2002) in Putri (2013) state that one of audit quality attribution is high standards ethics. The higher the ethics, the more qualified audit judgment will be. Saputri (2015) states that one of aspects from individual is personality type. Auditor with personality type A will get stress and in rush easily in making audit judgment even though they are in a good ethical environment. Otherwise, auditor with personality type B is quieter in making audit judgment. Thus, ethical environment moderated by personality type B will have stronger influence on audit judgment rather than personality type A. This result is in line with Iswari (2013) who conclude that personality type influence significantly over professional organization conflict on professional judgment.

Based on absolute difference value test, internal locus of control and external locus of control are unable to moderate ethical environment influence on audit judgment. It is proved by significance value of absolute difference of internal locus of control with audit judgment is 0.487. In table 2 proves that this interaction relationship is not significant. So does with significance value of absolute difference of external locus of control, 0,377 proves that this interaction relationship is not significant. This result is in the opposite with attribution theory which explains that behavior of a person is determined by combination of internal forces, that is factors from the inside, such as ability or effort, and external forces, that is factors from the outside, such as troubles in job or luck. Thus, locus of control influence in making audit judgment is not proved. Good ethical environment is enough for auditor to make good audit judgment and no internal or external locus of control is needed. This result is in line with Iswari (2013) conclusion that locus of control is not significant as moderated variable on audit judgment.

Absolute difference value test shows that personality type A is unable to moderate task complexity influence on audit judgment. On the other hand, personality type B is able to moderate task complexity influence on audit judgment. It is proved by significance value of absolute difference of task complexity and personality type A on audit judgment is 0,293. It means that this interaction relationship is not significant. Significance value of absolute difference of task complexity and personality type B on audit judgment is 0,015 it proves that this interaction relationship is significant. Purpose determining theory states that specific and difficult purpose with feedback will aim to higher performance. Purpose will tell workers what to do and how much effort is needed. If we try to solve difficult problem, then we will think about the better solution oftenly. Understanding the purpose can help auditor in making good audit judgment. Attribution theory explains that

behavior of a person is determined by combination of internal forces, that is factors from the inside, such as ability or effort, and external forces, that is factors from the outside, such as troubles in job or luck. Saputri (2015) states that one of aspects from the inside of individual is personality type. Auditor with personality type B tend to be relaxed and patient in doing complex audit rather than auditor with personality type A who tend to be hurry in making audit judgment. It can be seen that task complexity understanding moderated by personality type B will have stronger effect on audit judgment rather than if it is moderated by personality type A. This research result is in line with the one done by Iswari (2013) who conclude that personality type has significant effect upon professional-organization conflict on professional judgment.

According to absolute difference value test, internal locus of control is unable to moderate task complexity influence on audit judgment and so does with external locus of control. It is proved by significance value of absolute difference value of task complexity and internal locus of control on audit judgment is 0,986 as seen in table 2. It means that this interaction relationship is not significant. Significance value of absolute difference value of task complexity and external locus of control on audit judgment is 0,178. It means that this interaction relationship is not significant. This result is in the opposite of attribution theory which states that behavior of a person is determined by combination of internal forces, that is factors from the inside, such as ability or effort, and external forces, that is factors from the outside, such as troubles in job or luck. The result of this study does not prove that auditor is influenced by locus of control in making audit judgment. A good task complexity understanding is enough for auditor to make qualified audit judgment. Thus, locus of control is not moderated variable for task complexity and audit judgment. This result is in line with a study done by Iswari (2013) who state that locus of control is not significant as moderated variable on audit judgment.

CONCLUSION

Result of the study shows 0,650 R square value. It means that 65 % variety of audit judgment variable can be explained by ethical environment, task complexity, personality type, and locus of control. The rest 35% can be explained by other variables. According to analysis and discussion, it can be concluded that ethical environment has positive effect on audit judgment made by auditor. Task complexity also has positive effect on audit judgment made by auditor. Personality type B auditor with ethical environment will make better audit judgment rather than personality type A auditor. Auditor who has internal locus of control with task complexity is unable to make better audit judgment rather than auditor who has external locus of control. Further research is expected to investigate in the right time so that will not interrupt auditor's activity. Another suggestion is extending the population by taking population not only in Semarang but also in another city.

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