

Exploring the Professionalism and Dysfunctional Behavior of Public Accountants on Audit Quality

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ABSTRACT

The study aims to examine the influence of professionalism and dysfunctional behavior of public accountants in Indonesia in carrying out quality audits. This study uses a quantitative study using a survey method through a questionnaire distributed to auditors who have experience conducting audits in the accounting firms with a total of 50 respondents. This study uses the multiple regression test. The results of this study indicate that the professionalism of public accountants has a positive and significant effect on the audit quality produced, while the dysfunctional behavior of public accountants does not significantly influence the audit quality produced by public accountants working in accounting firms. These results provide insight into how professionalism is very important in conducting audits so that the audit process does not commit fraud which has implications for the poor audit quality. Due to time and financial resource constraints, this study is only limited to the accounting firms in the Medan region, North Sumatra Province, Indonesia. For future study, it is expected that more agencies and respondents will be included in the analysis to obtain a more complete picture of the attitudes and behavior of public accountants in an effort to carry out quality audits.

Keywords: professionalism, dysfunctional behavior, audit quality, public accounting.

1. INTRODUCTION

Nowadays the professional public accounting services are more needed. The public accounting profession is considered an independent party, so the public accounting profession is required to improve its performance in order to produce reliable audit products for stakeholders. A public accountant in carrying out audits of financial statements does not merely work in the interests of his clients, but also for other parties with an interest in audited financial statements. To be able to improve the attitude of professionalism in carrying out audits of financial statements, public

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accountants should have adequate audit knowledge and be equipped with an understanding of the professional code of ethics. Boynton and Johnson (2006) emphasized the need for the importance of the auditor profession in carrying out audit services because audit quality is influenced by several factors, including professionalism (Stice, 1991; Feroz, Park, & Pastena, 1991; Catanach Jr & Walker, 1999; Baotham, 2007) and dysfunctional behavior (Public Oversight Board, 2000; Donnelly, Quirin, & O'Bryan, 2003). DeAngelo (1981) has defined audit quality referring to the probability that the auditor will find and report material errors, misrepresentations, or omissions in the client's accounting system correctly.

Provision of audited financial statements is the most contractual response to the owner-manager and intra-owner conflict, namely agency costs (DeAngelo, 1981). DeZoort (1997) distinguished two main categories of pressure: environmental pressures (eg, client-related pressures and litigation) and organizational pressures (eg, workload, feedback, compliance with superiors, conformity pressure).

Many public accountants who perform their obligations are not in accordance with existing standards, so the quality of the audits they produce is questioned by the users of financial statements. The Minister of Finance of the Republic of Indonesia has frozen the licenses of several public accountants in Indonesia due to violations of Auditing Standards (SA) and Public Accountant Professional Standards (SPAP) in conducting audits (Kompas.com, 2008; detik.com, 2009; Pusat Pembinaan Profesi Keuangan, 2015). In the case of the violation it is understood that the auditor does not use the principles of professional ethics regarding the public interest to act within the framework of service to the public and demonstrate commitment to professionalism.

An auditor must have an attitude of professionalism and must also uphold the established professional ethics to avoid fraud in the audit process. This is certainly an interesting issue to discuss given the many cases of ethical violations committed by public accountants. When a public accountant has behaved professionally, an auditor must also avoid behaviors that can reduce the level of audit quality. In the context of auditing, manipulation or fraud will manifest itself in the form of dysfunctional audit behavior. This behavior is a means for auditors to manipulate the audit process to achieve individual performance goals (Paino, Ismail, & Smith, 2014). Reduction in audit quality due to these actions can be seen as sacrifices needed for individuals to survive in the audit environment (Donnelly et al., 2003). Dysfunctional behavior (DB) and staff turnover are associated with decreased audit quality (Public Oversight Board, 2000). Dysfunctional behavior such as premature sign-off, inadequate collection of evidence, changing or replacing audit procedures, and improper reporting have a negative impact on the auditing profession (Donnelly et al., 2003). While dysfunctional behavior is a widespread problem

(Smith, 1995; Otley & Pierce, 1995). The results of the study Donnelly et al. (2003) stated that dysfunctional behavior is directly related to audit quality. Based on this urgency, researchers are interested in examining the effect of professionalism and dysfunctional auditor behavior and its implications on the audit quality by taking samples of public accountants as a unit of analysis.

2. THEORETICAL REVIEW AND THE DEVELOPMENT OF HYPOTHESES

2.1 Professionalism of Public Accountants

Some researchers have conducted research on the professionalism of public accountants. Professionalism is related to the substance of special knowledge and much of the autonomy and responsibility that Previts (1985) put forward the following characteristics as descriptive of professionalism: the main of knowledge, individuality, ethical boundaries, altruism, and judgment. In this study, auditor professionalism refers to professional abilities and behavior. Ability is defined as knowledge, experience, adaptability, technical competence, and technological ability. Professional behavior refers to independence, objectivity, integrity, and judgment (Catanach Jr & Walker, 1999) and here enables the auditor's professional behavior to include additional factors such as transparency and responsibility in this study which are very important to ensure public trust.

The higher level of auditor professional behavior is the need for public trust in the quality of service expected by a professional to be himself at a higher level than most other members of the public and then auditor professionalism associates the quality of service or audit quality (Arens & Loebbecke, 1999). The auditor's ability to positively influence audit quality and lack of professional behavior can negatively impact audit quality implying that if the auditor exhibits better professional behavior, he might also effectively reflect higher audit quality (Stice, 1991; Feroz et al., 1991).

Previous involvement was felt by the auditor to cause a conflict of interest in reporting problematic evidence found at the end of the audit. This perception shows that it is important to increase the awareness of reviewers about the possibility of undesirable behavior in such situations. Potential research limitations relate to generalizing results under various levels of risk of misstatement and under different environments in audit practice (Peytcheva & Gillett, 2012).

2.2 Dysfunctional Behavior of Public Accountants

Abnormalities (dysfunctional behavior) is something that deviates from normal or is different from the typical, is a characteristic behavior that is determined subjectively, given to those who have rare or dysfunctional conditions (Whitbourne &

Halgin, 2014). Yuhertiana, Pranoto, and Priono (2015) described several conventional criteria for abnormalities, namely: Distress, someone who displays a lot of depression, anxiety, unhappiness will be considered as showing abnormal behavior because their behavior arises because of their own distress; Morality, violates ethics and violates community standards. According to Otley and Pierce (1995), audit dysfunctional behavior was the behavior of public accountants in the audit process that was not in accordance with established audit programs or deviates from established standards.

SAS No. 82 states that the attitude of public accountants accepting dysfunctional behavior is an indicator of actual dysfunctional behavior (AICPA, 1997). Personal beliefs affect the willingness of auditors to engage in dysfunctional behavior (Lightner, Adams, & Lightner, 1982; Lightner, Leisenring, & Winters, 1983). Dysfunctional behavior according to Donnelly et al. (2003) included the act of reporting audit time with a total time that is shorter than the actual time (underreporting of audit time), changing the procedures that have been determined in conducting audits in the field (replacing and altering original audit procedures), and completing audit steps too early without completing the whole procedure (premature signing-off of audit steps without completion of the procedure).

2.3 Audit Quality

According to Deis and Giroux (1992) audit quality is the auditor's ability to find material misstatements in the company's financial statements and depends on the auditor's competence, while the willingness to report findings of material misstatement depends on the professional auditor's independence. Audit quality is positively associated with financial reporting quality significantly, determined from unqualified audit opinion (Kamolsakulchai, 2015). DeAngelo (1981), explained that audit quality is the probability or likelihood that the auditor discovers and reports violations in his client's accounting system. Audit quality is defined as the level of accountant's ability to understand the client's business (Kane & Velury, 2005). Quality audits are audits that can be followed up by the auditee. This quality must be built from the beginning of the audit to reporting and providing recommendations. Thus, the indicators used to measure audit quality include process quality, whether the audit was carried out carefully, according to procedures, while continuing to maintain skepticism.

2.4 The Development of Hypotheses

a. An Effect of Professionalism on Audit Quality

According to Pramono (2007), professional attitudes and actions are demands

in various fields in each profession, including the auditor profession. Meanwhile, according to Arens and Loebbecke (1999), professionalism is the responsibility of behaving at a greater level than the responsibility given to auditors and more than complying with written (legal) and public (unwritten) regulations. As a professional individual, the auditor recognizes responsibility for the management and organization of the client and for peers including for behavior, even if it is a personal sacrifice (Mardijuwono & Subianto, 2018).

Moreover, Mardijuwono and Subianto (2018) explained that a public accountant who has a very professional attitude will consider the material but not the correct information or information about the right financial statements because this is closely related to the type of opinion that will be given by the auditor. The higher the auditor's professionalism, the better the audit quality produced in the financial statements. Based on the explanation above, the research hypothesis can be formulated as follows:

H1: Professionalism of public accountants has a positive effect on audit quality.

b. An Effect of Dysfunctional Behavior on Public Accountants on Audit Quality

Some previous research results indicate that in general dysfunctional behavior negatively affects the quality of audit results (Otley & Pierce, 1995; Donnelly et al., 2003; and Shapeero, Koh, & Killough, 2003). Then, Azad (1994) supported it and argued that audit quality will be victim if the auditor does not carry out some audit procedures. Auditor's dysfunctional behavior is any action taken by the auditor during inspection procedures that can reduce audit quality, both directly and indirectly (Kelley & Margheim, 1990; Otley & Pierce, 1995). Based on the explanation above, the research hypothesis can be formulated as follows:

H2: Dysfunctional behavior negatively affects audit quality.

3. RESEARCH METHOD

The type of research is quantitative, with associative research methods and survey approaches. This study uses dependent and independent variables. The dependent variable is the quality of the audit produced; Independent variables are auditor professionalism and dysfunctional behavior. This study is also an explanatory research because it tries to explain the phenomena that exist.

The study uses also the quantitative data types from primary data sources in the form of questionnaires filled out by auditors who work in the accounting firms in Medan with a total of 50 accounting firms. The sampling procedure is done by convenience sampling, a technique for determining the sample of research that is not done randomly, but appoints the office that is expected to provide information related

to this study. The primary data in this study are personal respondent characteristics such as respondent's name, place of work (accounting firms), gender, level of education, age, position, length of work in the office and answers to questionnaires for auditor professionalism, dysfunctional behavior and audit quality.

The design of the hypothesis test is based on the purpose of the study, which is a regression test to assess the relationship of independent variables separately. The model used in this study is a model of causality or the relationship between research variables. This study uses SPSS software as a data analysis method.

4. RESULTS AND DISCUSSION

Data collection techniques used in this study were to use a questionnaire. With respondents namely public accountants who live in the Medan, Indonesia. The questionnaire returned and completed by the respondent will then be examined for its completeness. Questionnaires were distributed as many as 136 questionnaires, but those collected by researchers were 50 respondents.

Table 1 shows the demography characteristics of participants including gender, education, age, length of work and positions. Participants consisted of 33 males and 17 females with the highest level of education is bachelor degree. The age of majority is 20-25 years old, most length of work is 0-5 years and most of the positions are junior auditors.

Table 1. Demography Characteristics of Participants

Demography Characterictis		Number of Participants	%
Gender	Male	33	66
	Female	17	34
Education	Diploma degree	1	2
	Bachelor degree	37	74
	Master degree	12	24
Age	20-25 years old	30	60
	26-30 years old	18	36
	31-50 years old	2	4
Length of work	0-5 years	34	68
	6-10 years	13	26
	>10 years	3	6
Positions	Junior Auditor	29	58
	Senior Auditor	20	40
	Manager	1	2

Table 2. Regression Results with the dependent variable of audit quality (N = 50)

Variable	Coeffecient	Std. Error	t-statistic	Prob.
C	13.69	4.856	2.819	0.007
Professionalism	0.974	0.139	7.022	0.000
Dysfunctional Behavior	-0.09	0.073	-1.231	0.225
R Square	0.513			
Adjusted R Square	0.492			
F-statistic	24.735			
Prob (F-statistic)	0.000			

Table 2 shows the results of the regression. The adjusted R square has value 49.2%. It means that professionalism of public accountant and dysfunctional behavior can explain audit quality in amount of 49.2% while 50.8% is explained by other variables which not examined in this study. All independent variables has significant influence toward audit quality with sig. value of 0.000 < sig. value 0.05. Furthermore, the influence of professionalism and dysfungsonal behavior on audit quality can be explained below:

a. Professionalism and Audit Quality

Table 2 shows that the professionalism of public accountants has a regression coefficient of 0.974 with a p-value of 0.000 < 0.05. This means that the professionalism of public accountants has a positive influence on audit quality in accounting firms in Medan, Indonesia. Therefore, H1 is supported. This proves that an auditor when working with the principles of professionalism can improve audit quality. Professionalism is the main requirement for an auditor, because with high professionalism, auditor freedom will be more secure and free from pressure from various parties. Thus, the Public Akuntant Firm in Medan needs to increase awareness of the principles of professionalism to its auditors in order to improve audit quality in each of their firms. The result of this study is in accordance with Mardijuwono and Subianto (2018) who showed that the auditor who adheres to his profession can improve the auditor's professionalism so that the resulting audit quality is certainly increased. Meanwhile, Ussahawanitchakit and Lim-U-Sanno (2008) stated that variables of professionalism have a significant positive impact on audit quality.

b. Dysfunctional behavior and audit quality

The results of the study using statistical tests showed a p-value of 0.225 > 0.05

and a regression coefficient of -0.09 which meant that the dysfunctional behavior variable did not correlate with the quality of the resulting audit, H2 not supported. Dysfunctional auditor behavior neither increases nor decreases audit quality. When dysfunctional auditor behavior does not occur or at least under minimal conditions, audit quality is better maintained, because audit quality is usually related to the auditor's ability to detect and report material misstatements in the audit quotation during the inspection process (Vanstraelen, 2000). This finding may differ from the results of previous studies which mostly state that dysfunctional behavior influences audit quality. Thus, based on data shows that the dysfunctional behavior of auditors in Medan does not affect the quality of the resulting audit. However, this study confirms the statement that audit quality is related to the auditor's ability to detect and report whether material misstatements occur or not.

5. CONCLUSION

Based on the results of hypothesis testing, the variable of professionalism of public accountants which explained a significant positive effect on audit quality. The professionalism of a public accountant can prevent all forms of fraud or incompatibility of the resulting audit quality. Therefore, the higher the professionalism spirit of public accountants will produce good audit quality as well. These results support study conducted by Mardijuwono & Subianto (2018) and Ussahawanitchakit & Lim-U-Sanno (2008). So that the professionalism of public accountants will increase public trust which is increasingly high on public accountants and audit results. Unlike the case with dysfunctional behavior variables that have no effect on audit quality. Therefore, if dysfunctional behavior occurs, it will not affect the audit quality produced by public accountants in Medan, Indonesia.

This study has limitations in terms of the number of respondents who are not too many and only include public accountants in the firms of Medan, so it cannot be generalized to the results of study in different places. Therefore, suggestions for further study include increasing the number of sample scopes in future studies and expanding the area and types of public accountants from private or government companies.

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