

FACTORS AFFECTING AUDIT JUDGEMENT IN PUBLIC ACCOUNTING FIRM (KAP) IN MEDAN

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Abstract: Audit judgment is one of the auditor's perspectives in responding to information that influences the documentation of evidence and the decision-making of the auditor's opinion on an entity's financial statements. This research aims to analyze the factors that influence auditor judgment at Public Accounting Firms in Medan City. The population used in this research were auditors who worked in Public Accounting Firms using total sampling. The data collection technique uses questionnaires which are measured using a Likert scale. The analysis technique in this research uses Structural Equation Model (SEM) analysis with the help of the Smart PLS program. The research results show that auditor experience has a negative and significant effect on audit judgment, then the variables of auditor expertise and obedience pressure have a positive and significant effect on audit judgment. Meanwhile, task complexity, auditor ethics, and gender have no effect on audit judgment at the Public Accounting Firm in Medan City.

Keywords: Audit Judgment, Auditor, Public Accountant

Introduction

In auditing, auditors use judgment and provide opinions on the financial reports they examine. The decision taken by an auditor is the meaning of audit judgment. Audit judgment is an objective assessment of information on audit evidence received and is caused by individual aspects of an auditor and will obtain the results of previously obtained information decisions. An auditor's audit judgment can be influenced by technical and non-technical factors (Mughtar & Utama, 2020). The factors of experience, knowledge, pressure, task complexity, and the auditor's behavior when obtaining and evaluating information as well as other aspects of individual behavior are technical factors in influencing audit judgment. Non-technical factors such as gender can influence audit judgment. Failure to make this judgment can be caused by the public accountant having minimal knowledge of SPAP (Professional Standards for Public Accountants) and lack of experience so he fails to detect fraud. If in the case above there is pressure for obedience then it can be questioned that the level of integrity and independence that is possessed has deviated from professional standards so that the audit judgment made is very doubtful. The better the quality of the Judgment given by an auditor can be influenced by the amount of knowledge he obtains. The practice gained from an auditor's experience while working is one of the important points in developing his potential. Apart from that, the experiences he has can help an auditor make good judgments and can be held accountable for their correctness (Rialdy et al., 2021). Legitimate power is a social phenomenon in the world of work where the power (authority) of individuals or groups can trigger other individuals or groups to change their decisions. Existing legitimate power creates obedience pressure in an auditor where he will feel pressured in carrying out his duties because what he does while carrying out his duties is contrary to the professional ethics of the accountant which can result in inappropriate audit judgments being made (Fernandes & Dewi, 2021). In carrying out the audit process, an auditor will also experience obedience pressure from both superiors and the client

entity being audited. In this case, professionalism and ethics play a role because apart from thinking that auditors must act according to the facts found and based on generally accepted financial principles, pressure from superiors and clients also has a big influence in providing a judgment. Auditors are sometimes influenced by obedience pressure, both pressure coming from clients. or from superiors(Nainggolan & Abdullah, 2016)Obedience pressure is a condition where an auditor is faced with the dilemma of implementing auditor professional standards. The complexity of an auditor's duties. an auditor will be faced with task complexity which will affect the results of audit judgment performance. In this case, the complexity of the tasks previously faced by an auditor will increase his experience and knowledge(Ginting & Munawarah, 2022)

Literature Review

2.1. Attribution Theory

Attribution theory explains that there are behaviors that are related to an individual's attitudes and characteristics, so it can be interpreted that just by looking at their behavior you will be able to know the person's attitudes or characteristics and can also predict a person's behavior in dealing with certain situations.(Azizah & Pratono, 2020). The purpose of using attribution theory is because the research will conduct an empirical study to determine the factors that influence auditors on the quality of audit results, especially the auditor's personal characteristics. The auditor's personal characteristics are an internal factor that encourages a person to carry out an activity, as well as determining the quality of the audit judgment results given(Paul Usmany et al., 2023)

2.2. Audit Judgment

Audit judgment is a personal consideration or auditor's perspective in responding to information that influences the documentation of evidence in making an auditor's opinion decision on an entity's financial statements(Harahap & Syalfia, 2020). Audit judgment is needed because audits are not carried out on all evidence. This evidence is used to express an opinion on the audited financial report, so it can be said that audit judgment also determines the results of the audit(Rozalina & Rachmat, 2020)

Factors that influence Audit Judgment. In audit judgment, there are several factors that influence audit judgment, namely:

1. Experience

Experience is a learning process and the development of potential behavior from formal or non-formal education. Experience is also a process that brings a person to a higher pattern of behavior(Vincent & Osesoga, 2020).

2. Obedience pressure

Obedience pressure is a type of social influence pressure that results when individuals are under direct orders from other individuals(Sambodo & Fitriani, 2021)

3. Skill

Expertise is someone who has certain skills or high knowledge in a particular subject obtained from practice(Septiaji & Hasymi, 2021).

4. Complexity of tasks

Task complexity is the difficulty of a task caused by limited capabilities, memory and the ability to integrate problems possessed by a decision maker.(Azizah & Pratono, 2020)

5. Gender

Gender is the characteristics and behavior attributed to men and women which are formed socially and culturally(Ika Sulistyawati et al., 2019).

6. Ethics

Ethics is the behavior or actions of other people or ourselves based on agreed values (Fernandes & Dewi, 2021)

2.3. Framework Conceptual

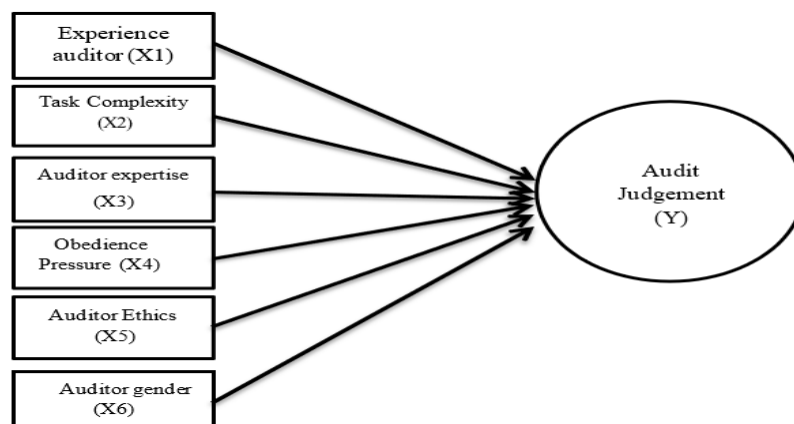


Figure 1: Conceptual Framework

Hypothesis:

- H1: Auditor experience influences audit judgment at public accounting firms in Medan.
- H2: Task complexity influences audit judgment at public accounting firms in Medan.
- H3: Auditor expertise influence on audit judgment at public accounting firms in Medan
- H4: Obedience pressure influence on audit judgment at public accounting firms in Medan
- H5: Ethics auditors influence audit judgment at public accounting firms in Medan
- H6: Auditor gender influences audit judgment at public accounting firms in Medan

Method

This research is quantitative research. The research was conducted at the Public Accounting Office in the city of Medan. The data used is primary data in the form of questionnaire data distributed and filled in by auditors. Audit judgment is the dependent variable. Meanwhile experience auditor, obedience pressure, auditor ethics, expertise, complexity task, and gender are independent variables. Dependent and independent variables are measured using a Likert scale score of 1-5. The data analysis technique used in this research is multiple linear regression with the SmartPLS 3.0 tool. Partial Least Square (PLS) analysis is used in this research to determine the relationship between two independent variables and the dependent variable. starting from model measurement (outer model), model structure (inner model) and hypothesis testing.

Results and Discussion

This data was obtained from questionnaires distributed directly to respondents at each Public Accounting Firm (KAP). The respondents in this study were public accountants who worked at the Public Accounting Firm (KAP) in the city of Medan. The questionnaire sent to respondents was accompanied by a letter of application to become a respondent and an explanation of the research objectives. The questionnaire that is returned to the researcher and has been filled in by the respondent will then be examined for completeness. Of these respondents, 103 questionnaires

were distributed. The questionnaires returned were 60 respondents. In accordance with the sampling method using saturated samples. Details of sending and collecting questionnaires are shown in the following table:

Table 4.1 Data Collection Results

Information	Amount
Questionnaire sent	103
Unreturned questionnaires	43
Returned questionnaire	60
Questionnaire used in research	60

Based on the table above, the demographic characteristics of the respondents can be seen as described below:

Table 4.2. Characteristics of respondents based on gender

Gender	Number of Respondents	Percentage
Man	35	65%
Woman	25	35%
Amount	60	100%

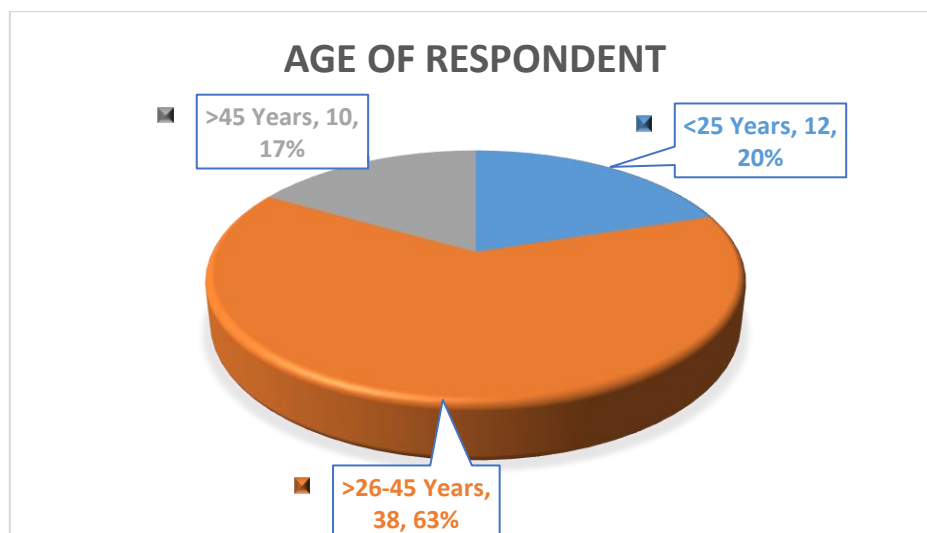


Figure 4.2 Diagram by age

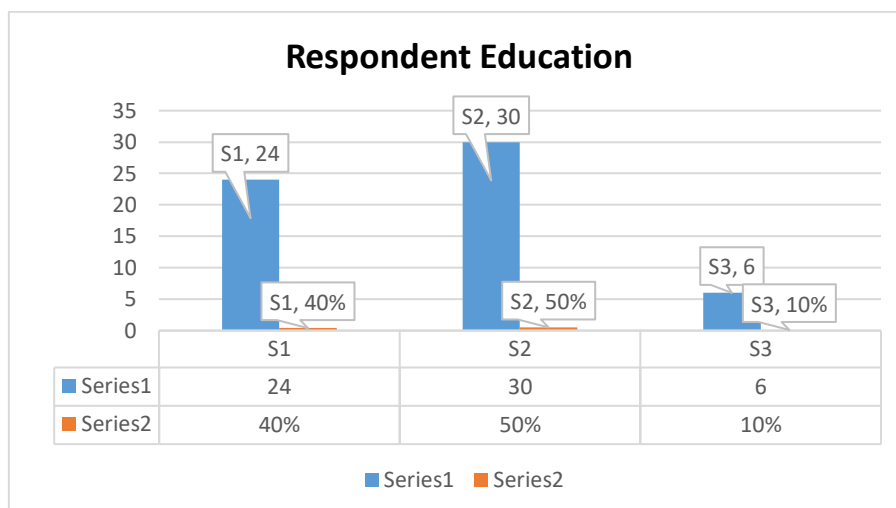


Figure 4.3 Graph based on respondent education

Table 4.5 Characteristics based on length of work

Length of Work	Number of Respondents	Percentage
<2 years	18	30%
3-5 years	22	37%
6-10 years	14	23%
>10 years	6	10%

Source: Processed data, 2023

Respondent data from the results of distributing questionnaires revealed that the characteristics of respondents based on gender were that the majority were 65% male, aged over 25 years (75%), with 50% having a master's degree and 50% working in a public accounting office for 3-5 years.

1. Measurement Model Analysis

- ❖ Construct reliability and validity (construct validity and reliability) is a test to measure the reliability of a construct. The reliability of construct scores must be high enough. Criteria for good construct reliability and validity can be seen from:
 1. Cronbach Alpha: > 0.7 (Nunnally and Bernstein, 1994; Vinzi, Trinchera, & Amato, 2010)
 2. Rho_A: >0.7 (Vinzi, Trinchera, & Amato, 2010)
 3. Composite Reliability: >0.6 (Bagozzi and Yi, 1988; Chin & Dibbern, 2010)
 4. Average Variance Extracted (AVE): > 0.5 (Fornell and Larcker, 1981; Bagozzi and Yi, 1988; Chin & Dibbern, 2010)

Table 4.6. Construct reliability and validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0.935	0.950	0.949	0.729
X2	0.908	0.932	0.930	0.695
X3	0.954	0.956	0.962	0.758
X4	0.933	0.945	0.944	0.653
X5	0.966	0.967	0.972	0.831

X6	0.840	0.876	0.888	0.665
Y	0.917	0.929	0.936	0.712

Source: Processed data, 2023

Based on the table above, Cronbach Alpha: All variable constructs > 0.7 rho_A: All variables > 0.7, Composite Reliability: All variables > 0.6 Average Variance Extracted (AVE) All variables > 0.5. Thus, judging from the results of the construct reliability and validity testing, it looks good so it is worth continuing in further analysis.

2. Inner Model Analysis

Testing on the structural model (inner model) basically aims to see the relationship between variables. The measurements are carried out by looking at the R-Square value. An R-Square value of 0.75 is strong, 0.50 is moderate and 0.25 is low. Based on the processed data, the R-Square value is obtained:

Table 4.7: R-Square

Variables	R Square
Y	0.943

Source: Processed data, 2023

The table above shows the ability of auditor experience (X1), task complexity (X2), auditor expertise (X3), obedience pressure (X4), auditor ethics (X5), and auditor gender (X6) in explaining audit judgment (Y) which is 94.3%, thus the model is classified as substantial (strong).

Next, calculate F2 (F-Square): is a measure used to assess the relative impact of an influencing variable (exogenous) on the influenced variable (endogenous)

Table 4.8: F-Square

Variable	X1	X2	X3	X4	X5	X6	Y	Information
X1							0.103	Currently
X2							0.004	Small
X3							0.182	Big
X4							1,026	Big
X5							0.004	Small
X6							0.030	Currently
Y								

Data source processed in 2023

Based on the results of the table above, X1 has a medium impact on Y, X2 has a small impact on Y, then X3 and (moderate).

3. Hypothesis testing

Table 4.10: Path Coefficient

Variables	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
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X1 -> Y	-0.511	-0.513	0.259	1,973	0.049
X2 -> Y	0.079	0.075	0.169	0.467	0.641
X3 -> Y	0.692	0.690	0.257	2,696	0.007
X4 -> Y	0.803	0.807	0.124	6,495	0.000
X5 -> Y	0.051	0.046	0.129	0.393	0.694
X6 -> Y	-0.154	-0.149	0.111	1,385	0.166

Data source processed in 2023

Based on the results of path coefficient testing, it shows that:

1. $X1 \rightarrow Y$ with a path coefficient value of -0.511 and P-Value = $0.049 < 0.05$, meaning that the influence of X1 on Y is negative and significant. So it can be concluded that the auditor's experience variable has a negative and significant effect on audit judgment. This can be interpreted that the more experience the auditor has, the less good the audit judgment will be and vice versa. The research results show that the auditor's experience at the Public Accounting Firm in Medan City does not influence the resulting judgment. The results of this hypothesis can provide an illustration that the length of an auditor's experience in an assignment may not necessarily influence an auditor in making an audit judgment, because the respondents are generally senior auditors and only serve as members of an audit team, whereas those who will provide consideration are namely: supervisor, manager, and partner. And this research is not in line with the results of research conducted by (Setiawan, 2015) and (Christanti & Dwirandra, 2017) which stated that auditor experience has a positive effect on audit judgment. (Abbas & Basuki, 2019)
2. $X2 \rightarrow Y$ with a path coefficient value of 0.079 and P-Value = $0.641 > 0.05$, meaning that the influence of X2 on Y is positive but not significant, so it can be concluded that the task complexity variable has no effect on audit judgment. The research results show that the complexity of the assignment does not affect the resulting audit judgment. This proves that the tasks carried out by the auditor were accepted and not carried out properly. An auditor must be able to have honed and sufficient skills to enter the field of auditing in order to carry out his duties well, so as to be able to detect errors that can affect judgment. Expertise in the auditing field can be seen from certification in the auditing field or various skills to carry out audit work in various fields. The results of this research are not in line with the results of research conducted by (Rozalina & Rachmat, 2020).
3. $X3 \rightarrow Y$ with a path coefficient value of 0.692 and P-Value = $0.007 < 0.05$, meaning that the influence of X3 on Y is positive and significant so it can be concluded that the auditor's skill variable has a positive and significant effect on audit judgment. This means that there is a positive and significant influence of the auditor's skill variable on audit judgment so that the third hypothesis is accepted. This is because an auditor must be able to have honed and sufficient skills to enter the field of auditing in order to carry out their duties well, so as to be able to detect errors that can affect judgment. Expertise in the auditing field can be seen from certification in the auditing field or various skills to carry out audit work in various fields. (Karimullah & Yuyetta, 2021) An auditor who has high expertise will be able to face audit tasks, process relevant information and analyze audit evidence in a timely manner, process relevant and accurate information results, and have the habit of interacting with fellow auditors, superiors, or when facing a case. the entity being audited, so that it

can support the provision of appropriate judgment to determine decisions on audit results and also opinions that are ready to be issued by the auditor (Ismunawan & Triyanto, 2020). The results of this research support the research conducted in this study which stated that the auditor's expertise has a significant effect on audit judgment. If the auditor's expertise increases, it can also produce good audit judgment. (Shanti, 2019).

4. $X4 \rightarrow Y$ with a path coefficient value of 0.803 and $P\text{-Value} = 0.000 < 0.05$, meaning that the influence of $X4$ on Y is positive and significant so it can be concluded that the obedience pressure variable has a positive and significant effect on audit judgment. That compliance pressure leads to pressure originating from superiors or from senior auditors to junior auditors and pressure originating from higher entities and from clients to carry out deviations from established standards (Ariyantini et al, 2014)., (Willianti 2020). If an auditor is under pressure from a superior, the audit judgment taken will be inaccurate because in producing judgment, the auditor who receives orders will tend to fulfill the superior's wishes even though it is contrary to the professional standards of public accountants. (Vincent & Osesoga, 2020). The results of this research support research conducted by (Septiaji & Hasymi, 2021).
5. $X5 \rightarrow Y$ with a path coefficient value of 0.051 and $P\text{-Value} = 0.694 > 0.05$, meaning that the influence of $X5$ on Y is positive but not significant, so it can be concluded that the auditor's ethics variable has no effect on audit judgment. So the fifth hypothesis is rejected. That auditors are faced with a dilemma that involves a choice between conflicting ethical values and their obligation to have high integrity and objectivity. Auditors are often faced with making decisions that are not only consistent with generally accepted accounting standards but also codes of ethics (Fernandes & Dewi, 2021). Ethical awareness plays an important role for an auditor. It can be said that professional ethics is the spearhead of a profession. This is due to the fact that the audit profession really needs public and government trust in the quality of the services it provides. Professional accountants in carrying out their duties have binding guidelines such as a code of ethics, in this case the Indonesian Accountant Code of Ethics. So that in carrying out their activities public accountants have clear direction and can provide appropriate and accountable decisions to parties who use the results of auditor decisions. (Pratiwi & Pratiwi, 2020). which will be stated by the auditor. This is in line with research conducted by (Padilah & Asmiliala, 2021).
6. $X6 \rightarrow Y$ with a path coefficient value of -0.154 and $P\text{-Value} = 0.166 > 0.05$, meaning that the influence of $X6$ on Y is negative and not significant so it can be concluded that the gender variable has no effect on audit judgment. This shows that gender differences between men and women with differences in various individual traits and characteristics do not influence the audit judgments taken by male and female auditors. Auditors carry out examinations based on established audit procedures and standards so that both male and female auditors know when to make judgments that are appropriate to the situation that occurs. In this study, on average, there were more male auditors than female auditors because working as an accountant requires quite a lot of physical energy, so Public Accounting Firms use more male workers. This is in line with research conducted by (Ika Sulistyawati et al., 2019)

Conclusion

It can be concluded that the auditor's experience has a negative and significant effect on audit judgment, then the variables of auditor expertise and obedience pressure have a positive and significant effect on audit judgment. Meanwhile, task complexity, auditor ethics, gender have no effect on audit judgment at the Public Accounting Firm in Medan City. In future, researchers suggest adding other variables such as independence, audit tenure, Self Efficacy, and locus of control.

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