

# Can work experience and auditor independence improve the quality of audit opinion?

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## Abstract

This study aims to determine the current condition of the audit opinion at the public accounting firm in Makassar and the effect of audit experience and independence on audit opinion at the general accounting firm in Makassar. The method used is the multiple linear regression method. This research also uses validity and reality tests, T-test (partial), F test (simultaneous), correlation coefficient test (r), determination coefficient (r<sup>2</sup>). From the results of hypothesis testing, it has been proven that work experience and independence have a significant effect on audit opinion at the public accounting firm in the city of Makassar. Audit experience plays a significant role in increasing the audit opinion. The assumption is that the higher the Auditor's knowledge, the opinion's quality will also increase the statement. Independence plays a significant role in increasing audit opinion because when various interests and interventions do not influence the Auditor, the quality of the Auditor's opinion will be increasingly objective.

**Keywords:** Experience; Independence; Audit Opinion

## 1. Introduction<sup>a</sup>

The emergence of a public confidence crisis regarding the accountant profession's inability to audit financial reports was caused by much economic news from many companies that received an unqualified opinion (OTP) but later went bankrupt after the opinion was issued. As PT experiences an illustration, audit failure. Kimia Farma in 2001 was a finding of misstatement of financial statements, which resulted in an overstatement of Rp's net income. 32.7 billion, which was 2.3% of sales and 24.7% of net profit (Hidayat, 2015). This error in financial reporting occurred due to overstating the sales and inventory opinions in three business units and was justified by inflating the inventory prices, which the Production Director authorized to determine the inventory value. The lousy impact resulted from an error in the justification of the audit report at PT. Kimia Farma resulted in lawsuits, loss of professionalism, and loss of public trust and social credibility. Then the case of the financial scandal that occurred at Olympus Corporation, a Japanese camera and health equipment manufacturer in 2011, has been proven to hide losses by considering it as an asset since the 1990s (www.detikfinance.com, 2011).

An auditor's experience in his activities is one aspect that plays an essential role in supporting his primary expertise for auditors (Libby & Tan, 1995). Each adventure will form a different perspective and method of concluding (Bezzina et al., 2017). With work experience, someone will be able to sort and select information; With expertise, the considerations to be taken will be more accurate (Kocsis et al., 2002). An auditor must obey and adhere to professional ethics and auditing standards (Kadhafi, 2013). Even though equipped with qualified experience, the potential for conflict will undoubtedly overshadow the auditors' fulfilling their professional job responsibilities (Willett & Page, 1996). Audit pressure can come from internal or external factors; Therefore, a situation like this can make the Auditor trapped in a dilemma position in justifying the audit opinion (Azad, 1994).

Experience is undoubtedly in line with how long an auditor works based on the timeline (Broberg et al., 2017). A very mature auditor experience is known as a senior auditor. Based on their experience, a senior auditor's vital role is to guide and supervise assistants in carrying out work processes to maintain audit quality. Then added again that an auditor must be neutral and independent in addition to having experience (Craswell et al., 2002). Independence is an attitude that does not

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favor anyone's interests.

In business processes, auditors also often experience dilemmas due to psychological pressure that befalls them. A psychological difficulty occurs when the Auditor is in two conflicting choices. Attribution theory is a theory developed by Weiner, (2008), which argues that a person's behavior is determined by a combination of internal forces, namely factors that come from within a person, such as ability or effort, and external parties. Namely, factors that come from outside, such as difficulties in work or luck. Attribution is a theory that discusses the efforts made to understand our behavior and others (Graham, 1991). In its formal definition, attribution means an attempt to understand the causes behind others' behavior, and in some cases, the reasons behind our behavior.

Another theory that we also include in our study is role theory to discuss how people position themselves and how actions are chosen when interacting with other people in an organization (Ebimobowei et al., 2011). Role theory is an interaction between social roles, norms, and identity of the people in an organization (Razak et al., 2016; Indahingwati et al., 2019). Social functions are related to the rights, duties, responsibilities, and proper behavior of people who have a specific social context position. Norms are behavior that is considered appropriate and expected in a particular role. Meanwhile, identity is related to how a person determines who he is and how he will act in a specific situation.

Auditors who have poor experience tend to be more careful when carrying out subsequent audits. Auditors usually take a skeptical attitude to better their duties (Arsendy, 2017). The audit is a process of collecting and evaluating information that can be measured about an economic entity by someone competent and independent to determine and report the conformity of the information referred to by predetermined criteria. The objective of a general audit of financial statements by an independent auditor is to express an opinion on the fairness, in all material respects and financial position, results of operations, and cash flows following applicable accounting principles. Audit quality is defined as the level of the accounting firm's ability to understand the client's business (Hapsoro & Annisa, 2017; Alzoubi, 2018; Alhadab & Clacher, 2018).

The audit opinion quality is undoubtedly related to assuring the Auditor that there are no errors in the financial statements of errors or containing fraud (Wahyuni, 2019). The quality of the audit opinion can be seen from auditor compliance in carrying out various stages that should be carried out in an auditing activity (AlQadasi & Abidin, 2018; Oussii & Taktak, 2018). Attribution theory in our study also explains the causes and motives of a person's behavior: the Auditor. Attribution theory refers to how auditors explain the reasons for their behavior, such as traits, characters, and attitudes (Xiaohui & Manli, 2012), or externals such as pressure situations. These particular circumstances will influence individual behavior in making decisions (Jaya et al., 2018). Attribution theory explains the understanding of a person's reactions to events around them. Knowing the reasons and motives for the events experienced, conceptually, the experience is related to a learning behavior process (e.g., formal and non-formal education). In other words, role theory is a process that leads to a variety of behavior patterns. Experience is an important attribute owned by auditors (Dewey, 1986). The error rate made by auditors with minimal experience is more than experienced auditors.

Public accountants' experience will continue to experience positive improvements and improvements in line with the increasing number of audit work and the complexity of the work they handle. Therefore, objectively this study targets several research focuses, including that this study can be a reference source and a conceptual contribution to further research, especially for audit science. Experienced auditing accountants are better able to identify errors in analytic studies. Experienced auditors will find more errors in the items examined compared to less experienced auditors. Thus, it can be presumed that the audit experience influences the stated audit opinion.

#### *Hypothesis I: Audit Experience has a positive and significant effect on the quality of audit opinion*

Independence means a mental attitude free from influence, not controlled by other parties, not dependent on others. Freedom also means the Auditor is honest in considering facts and an objective, impartial considerations within the Auditor to formulate and express his opinion. An auditor's task is to check the company's financial statements whether they are appropriate in the process, using applicable accounting standards and whether the financial statements are prepared following the suitable format. At the end of his job examining financial statements, an auditor will issue an opinion on the financial statements. The audit opinion is the Auditor's statement on the fairness of the audited entity's financial statements. This fairness concerns materiality, financial position, and cash flows. This audit opinion becomes the "translation" of financial information used by users of financial statements to make decisions for its survival. Concerning auditors, independence has an essential effect on auditors' primary basis to be trusted by the general public. Raditya (2012) found that independence has a significant impact on audit quality. The Auditor must collect any information needed in making audit decisions where an independent attitude must support this.

#### *Hypothesis II: Independence has a positive and significant effect on the quality of audit opinion*

### 3. Research Design and Method

The study approach used is quantitative exploratory with analytical test tools using multiple linear regression. This study's type of data uses primary data obtained through a questionnaire tested on 52 auditors, which are illustrated explicitly as in

Table 1.

Sample Data

No.	Name of Public Accounting Firm	Address	Amount of Auditor
1.	Drs. Thomas, Blasius, Widartoyo & Rekan	Boulevard Jascinth, Street. 1 No.10	6
2.	Drs. Rusman Thoeng, M.Com, BAP	Rusa, Street. No.65A	7
3.	Drs. Harly Weku & Priscillia	Bontosua, Street. No.1 D	4
4.	Drs. Usman & Rekan	Maccini Tengah No.21	6
5.	Yakub Ratan, CPA	BTN Azzahra Grend Land G/8	5
6.	Benny, Tony, Frans & Daniel	Nuri, Street. No.30	5
7.	Bharata, Arifin, Mumajad, & Sayuti	Mappanyukki, Street. No.121	2
8.	Ardaniah Abbas	Barombong, Street. No. 240	5
9.	Dra. Ellya Noorlisyati & Rekan	A.P.Pettarani, Street. 44,	5
10.	Yaniswar & Rekan	Langgau, Street. 8/12, Makassar	7
Total			52

Source: Data Processed (2020)

The data analysis method in this study uses regression analysis. The stages in measuring and testing the instrument go through several procedures: Procedure 1: transform data to become even data. This step analyzes the use of SPSS using data transformation from ratio data to scale data interval. Then, the component values are transformed into ordinal data according to the interval class. Procedure 2: testing the hypotheses through direct and moderation testing with a significance level < 0.50. On checking using primary data, the validity and reliability tests are ignored.

### 4. Results and Discussion

#### Statistical Analysis

Table 3.

Statistical Model Testing

Variable	Item	Validity	Reliability	Info
Audit Experience	X1.1	0.496	0,711	Valid and Reliable
	X1.2	0.531		
	X1.3	0.600		
	X1.4	0.563		
	X1.5	0.550		
	X1.6	0.537		
Independence	X2.1	0.378	0,713	Valid and Reliable
	X2.2	0.443		
	X2.3	0.422		
	X2.4	0.412		
Audit Opinion	Y1	0.483	0,715	Valid and Reliable
	Y2	0.500		
	Y3	0.536		
	Y4	0.522		
	Y5	0.635		
	Y6	0.494		
	Y7	0.963		
	Y8	0.394		

Kolmogorov-Smirnov Normality Test = 0.102 > 0.05

Multicollinearity test = Audit experience (VIF = 4.179 < 10); Independence (VIF = 4.179 < 10)

F test = 563.259, sig < 0.01

R test -Square = 0.958

Source: Data Processed (2020)

The description of the respondents' identity based on gender shows that there are 48 male respondents (92%) and 4

female respondents (8%). Regarding the profile of respondents according to age, it can be seen that the most considerable respondent age in this study was 25-35 years with the number of respondents (58%) followed by respondents aged over 36-55 and <25 years, namely 19%. Regarding the profile of respondents according to their latest education, it can be seen that the largest respondent's prior knowledge in this study was S2 with the number of respondents (58%) followed by respondents whose previous education was S3, namely 21%. According to position, the largest respondent position in the occupational research is the senior Auditor with 76% of respondents, followed by junior auditor respondents, namely 14%. The largest number of respondents working in the study were > 10 years, with the number of respondents (33%) followed by respondents between 5-10 years, namely 27%.

The results of statistical testing are as shown in Table 3. Where the validity and reliability of this study show valid ( $> 0.50$ ) and reliable ( $> 0.60$ ) values. Normality testing uses the Kolmogorov-Smirnov method =  $0.101 > 0.05$ , which means that the test is usually distributed. At the same time, the variable multicollinearity test states that the VIF value  $< 10$ . The F test says that the simultaneous relationship is a positive and significant effect. The coefficient of determination ( $R^2$ ) of 0.978 states that the experience and independent variables' components are correlated by 97.8%.

This study uses multiple linear regression, conducted using the enter method, where all variables are entered to find the effect of the independent variable on the dependent variable through regressing audit opinion (Y) as the dependent variable and work experience (X1), independence (X2) as the independent variable.

The results of the hypothesis are in table 4. The regression model used is as follows:  $Y = 0.287 + 0.621 X1 + 0.306 X2$ .

Table 4.

#### Linear Regression Testing

	$\beta$	Std. Error	Beta	T	Sig	Info
(Constant)	.287	.108		2.653	.011	Support
Audit Experience	.621	.057	.653	10.947	.000	Support
Independence	.306	.051	.356	5.972	.000	Support

The constant value ( $\beta_0$ ) as shown in Table 4 is 287, indicating that if the independent variables (the effect of price, location, and service) are assumed not to change (constant), then the Y value (satisfaction) is -2.48%. The regression value ( $\beta_1$ ) of the influencing variable of work experience (X1) is 0.621, meaning that if there is an increase in price by 1%, the performance will increase by 0.621 6.21%. The regression value ( $\beta_2$ ) of the Independent variable (X2) is 0.306, meaning that if there is an increase in location by 1%. The performance will increase by 0.306 or by 3.06%. Hypothesis testing shows that the significant value for the effect of X1 on Y is  $0.001 < 0.05$ , and the t-value is  $10.947 > t\text{-table } 1.676$ , so  $H_0$  is rejected and  $H_a$  is accepted. This means that the work experience variable (X1) has a significant effect on audit opinion at public accounting firms in Makassar. The considerable value for the impact of X2 on Y is  $0.000 > 0.05$ , and the t-count value is  $5.976 < t\text{-table } 1.676$ , so  $H_0$  is rejected and  $H_a$  is accepted. This means that the independent variable (X2) has a significant effect on audit quality in public accounting firms in Makassar.

## Discussion

The results of testing the first hypothesis indicate that experience influences improving the quality of audit opinion. These results explain that auditors who use their knowledge and experience in carrying out their duties will support the Auditor's ability to improve audit opinion quality. Audit opinion made by the Auditor is the Auditor's policy in determining the argument regarding the audit results, which refers to the formation of an idea, thought, or estimate about an object, event, status, or other types of event (Jamilah, 2007). Based on these results, it can be explained that when an auditor has a good experience tends to give a functional response, the Auditor will behave according to his function (Muslim et al., 2018; Rahim et al., 2019). A higher level of auditor experience will help the Auditor to carry out the audit objectively, prudently, and thoroughly to form a logical and fundamental understanding in determining the audit opinion.

The results of testing the second hypothesis indicate that independence influences improving the quality of audit opinion. Auditor independence is the primary key of the audit profession to produce a sound and quality assessment of financial statements' fairness. These results explain that the Auditor at the Public Accounting Firm in Makassar views that the quality of the resulting audit opinion is urgent for all stakeholders through an attitude of independence. Auditor independence will shape public opinion as a professional profession and provide justice for all stakeholders (Ishak, 2018; Muslim et al., 2020). The Auditor's independence attitude will impact the full trust of the public as a guarantor of the fairness and conformity of financial statements presented with applicable principles.

## 5. Conclusions

Based on the results of the research hypothesis test described previously, the regression test results in work experience,

independence has a positive and significant impact on the increase in audit opinion in public accounting firms in Makassar. Based on the Determinant Coefficient test results, it is known that work experience variables, independence significantly affect the increase in audit opinion. This shows that work experience and independence affect increasing audit opinion. The effect of work experience has a positive and significant impact on the increase in audit opinion. It can be seen from the regression coefficient value is positive. The assumption is that the higher the employee's audit experience, the higher the audit opinion. Independence plays a significant role in increasing the audit opinion; the higher the auditor independence, the higher the resulting audit opinion.

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