

The Effect of Auditor Competency and Self-Efficacy on Audit Judgment at Public Accounting Firm in Bali

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Abstract: Auditors in carrying out activities are influenced by many things, starting from the audit environment and applicable audit regulations. The auditor judgment cannot be replaced because it is an inherent part of the audit process itself, therefore, the audit judgment carried out by the auditor must be carried out properly so as to produce true and accurate information. The phenomenon related to the audit judgment that has occurred causes the public to still question the audit judgment carried out by the auditor who is considered unable to protect external parties using financial statements. The population in this study are all auditors who work in Public Accounting Firms in Bali who are listed in the IAPI 2020 directory. The number of samples in this study found 136 auditors who were selected using the saturated sample or census method. The analytical technique used in this research is a partial least square (PLS) modelling technique through the SmartPLS 3.0 application. The results showed that the auditor competency and self-efficacy had a positive and significant effect on the audit judgment at the Public Accounting Firm in Bali.

Abstract: *Auditor Competency, Self-Efficacy, Audit Judgment*

1. Introduction

Users of financial statements or investors in Indonesia are increasing every year which shows that the information on the state of a company is increasingly important [1]. The main source and reference for the most reliable and trustworthy accounting information for external users or investors are audited annual financial reports [2]. Audit services have the main function to strengthen the confidence of users of financial statements on financial statements [3]. The auditor's opinion in terms of reviewing the suitability of the presentation of financial statements is called audit judgment [4]. The phenomenon of audit judgment that occurs in Indonesia causes people to still question the audit judgment carried out by auditors who are considered unable to protect external parties using financial statements [5].

Auditors are influenced by many factors in carrying out their duties ranging from the audit environment and applicable audit regulations [6]. Therefore, the audit judgment carried out by the auditor must be able to be carried out properly so that it is able to produce correct and accurate information [7]. In previous research on the relationship between the influence of auditor competency on audit judgment, it was found that auditor competency had a positive and significant impact on audit judgment [8]. However, other studies did not find any effect of auditor competency on audit judgment

[9]. Likewise, related to other factors that affect audit judgment such as self-efficacy. There is research that shows a positive and significant effect of self-efficacy on audit judgment [10]. The results of this study are different from the results of other studies which state that self-efficacy has no effect on audit judgment [11].

According to the explanation of the findings of previous studies that are inconsistent between significant and insignificant effects and the existing background, this study will discuss the effect of auditor competency and self-efficacy on audit judgment at the Public Accounting Firm in Bali.

2. Literature Review and Hypothesis Development

2.1. Literature Review

Audit judgment is a personal judgment and perspective of the auditor when providing feedback information or data that can influence the recorded evidence as well as the decision-making auditor's opinion on the financial statements of entities [12]. The auditor must obtain data based on evidence and facts in the field so that the auditor can make a more accurate assessment [13]. Competency is an obligation for auditors in order to have a formal education regarding accounting and auditing, practical work experience that is sufficient to support the profession being undertaken, as well as completing the continuous professional education [14]. Self-efficacy is a personal belief about the capability to carry out and complete tasks at a predetermined level [15]. Self-efficacy shows a person's belief that he is able to complete tasks at work [16].

2.2. Hypothesis Development

2.2.1. The Effect of Auditor Competency on Audit Judgment

Auditor requires a good competency to be able to improve the quality of audits produced. This means that the auditor's competency has a positive and significant effect on audit judgment [8]. The higher the competency of auditors, the better the auditor in giving judgment when put through its work [17]. According to this explanation, the hypothesis can be formulated as:

H₁: Auditor competency has a positive and significant effect on audit judgment.

2.2.2. The Effect of Self Efficacy on Audit Judgment

Auditors who have high self-efficacy will have the confidence to be able to carry out a task at a certain stage, thus influencing personal activities for achieving goals and showing good performance relations in this case related to audit judgment [18]. Research conducted states that self-efficacy has a positive and significant effect on audit judgment. This suggests that the higher self-efficacy possessed the more qualified auditor judgment results produced by the auditors [19]. According to this explanation, the following hypothesis can be formulated:

H₂: Self efficacy has a positive and significant effect on audit judgment.

3. Research Methods

3.1. Population and Sample Selection

The population in this study are 134 auditors who work at 16 Public Accounting Firms in Bali. The sample used in this study is all part of the population or called saturated sampling which means that all members of the population are used as samples. Saturated sampling was chosen to overcome the low rate of return of the questionnaire. At the time of distributing the questionnaire, there were two Public Accounting Firms that were not operating and one Public Accounting Firm which could not receive the questionnaires because the auditors were on assignment out of town. Based on these data, only 13 Public Accounting Firms were studied. Questionnaires were distributed to all auditors at 13 Public Accounting Firms that are still operating. The number of questionnaires that have been distributed amounted to 114 copies with a return rate of 86 copies. The respondent's rate of return is 75.44%.

3.2. Data Collection, Measurement and Analysis Techniques

Data collection using questionnaires was carried out by giving a series of questions or written statements for participants to be answered later. This research questionnaire consists of three parts, namely auditor competency, self efficacy, and audit judgment. Auditor competency variable (X_1) is tested by using indicators consisting of eleven questions. The indicator used to test the self efficacy variable (X_2) consists of seven questions. The audit judgment variable (Y) was measured using indicators consisting of three indicators with 6 six questions. The distribution of the hardcopy questionnaire was carried out by giving it directly to the respondent at the Public Accounting Firm in Bali and would be taken back two weeks after the questionnaire was distributed to the respondent. The variables in this study were tested using a 5-point Likert scale. from a scale of 1 (strongly disagree), to a scale of 5 (strongly agree). Hypothesis testing in this study utilizes Partial Least Square (PLS) with the SmartPLS application with a significance level of 5%. This study utilizes the SmartPLS application because it is able to directly analyze the model indicators so that it will be clear how the effects generated by the model indicators will be.

4. Result and Discussion

4.1. Test Research Instruments and Models

4.1.1. Validity and Reliability

The validity test was carried out on 30 respondents, by looking at the Pearson Correlation. Validity testing is done through the SPSS process. The results of the instrument validity test on the 24 question items on the questionnaire showed a correlation coefficient greater than 0.30 so that all questionnaire items were categorized as valid. When viewed from the significance value of all questionnaires it turns out to have a Sig (2-Tailed) value of less than 0.05, then all questionnaire items are categorized as valid. It can be seen that X_1 , X_2 , and Y have a Cronbach Alpha coefficient value greater than 0.70 so that the statement on the questionnaire can be said to be reliable.

4.1.2. Outer Model

The convergent validity test of the reflective indicators in the SmartPLS 3.0 program can be reviewed based on the loading factor value and the average variance extracted (AVE) value. The loading factor of each indicator shows a value of more than 0.7. These results state that the indicators used in this study are valid and sufficient for convergent validity. The AVE value of each variable in the study, namely X_1 (0.699), X_2 (0.776), and Y (0.608) has an AVE value exceeding the specified value, which is more than 0.5 which means that the indicators used in this study are sufficient for convergent validity.

The discriminant validity test method with reflective indicators is by reviewing the cross loading value. The data shows that the cross loading for each latent variable X_1 , X_2 , and Y is more than 0.70, besides that the correlation value of the latent variable with itself is higher than the value of its correlation with other latent variable.

The composite reliability value of each variable in the study, namely X_1 (0.962), X_2 (0.960), and Y (0.903) has a value of more than 0.7 so that it can be stated that the reliability for all related constructs is categorized as high and reliable. The Cronbach alpha value for each variable, namely X_1 (0.957), X_2 (0.951), and Y (0.870) greater than 0.7 so it can be said that the consistency is classified as good for each answer tested.

4.1.3. Inner Model

The result of R-square (R^2) in this research model is 0.372. The model of the influence of auditor competency and self-efficacy on audit judgment produces an R-square value of 0.372 which means that the variability of the audit judgment construct is 37.2%, while 62.8% is explained by other variables outside the study.

4.2. Hypothesis Testing and Discussion

Hypothesis testing is carried out by conducting a significance test through the bootstrapping procedure, by looking at the parameter coefficient values and the significance values of t-statistics and P Values as shown in Table 1 and Figure 1 below.

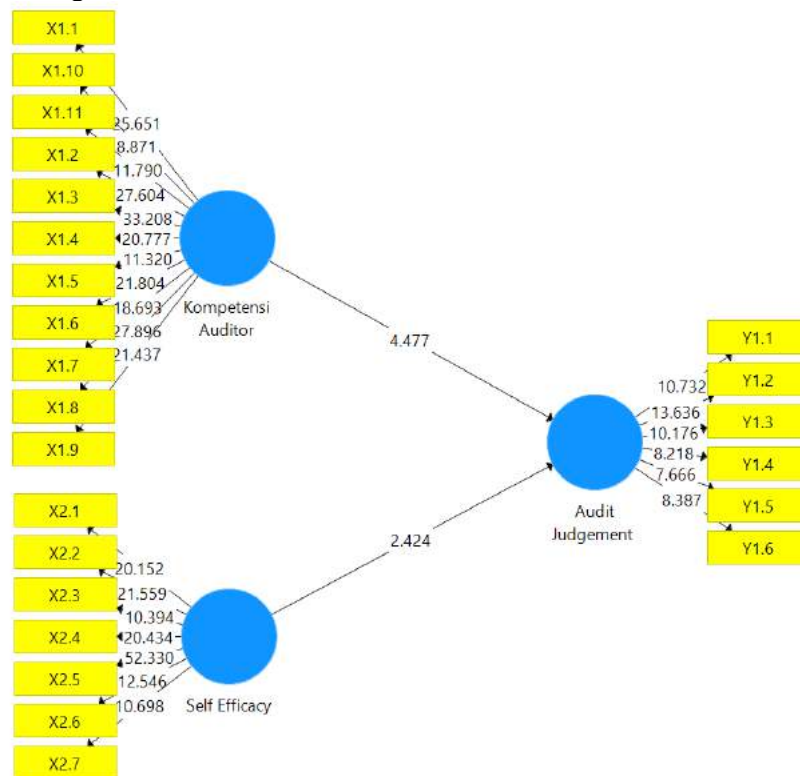


Figure 1. Bootstrapping analysis result

Table 1. Hypothesis Test Results

	<i>Original Sample (O)</i>	<i>T Statistics</i>	<i>P Values</i>
Auditor Competency → Audit Judgment	0,408	4,477	0,000
Self-Efficacy → Audit Judgment	0,300	2,424	0,016

4.2.1. The Effect of Auditor Competency on Audit Judgment

The hypothesis states that auditor competency has a positive and significant effect on audit judgment. Table 1 and Figure 1 show that the relationship between auditor competency and audit judgment is significant with a p-value of 0.000 less than 0.05 and a t-statistic value of 4.477 above 1.989. The original sample estimate value is positive, which is 0.408 which indicates that the direction of the relationship between the auditor's competency and audit judgment is positive. Thus, the hypothesis H₁ in this study which states that auditor competency has a positive and significant effect on audit judgment is accepted. Auditors need qualified competencies to conduct audits so that the resulting audit quality is able to provide quality information [20]. Ability in reasoning, risk mapping, and framework of thinking will increase supported by the increasing number of auditors completing engagements to audit the financial statements of a company [21]. The higher the competency possessed by the auditor, the better in giving judgment in completing the task.

4.2.2. *The Effect of Self Efficacy on Audit Judgment*

The hypothesis states that self-efficacy has a positive and significant effect on audit judgment. Table 1 and Figure 1 show that the relationship between self-efficacy and audit judgment is significant with a p-value of 0.016 less than 0.05 and a t-statistic value of 2.424 above 1.989. The original sample estimate value is positive, which is 0.300 which indicates that the direction of the relationship between self-efficacy and audit judgment is positive. Thus, the hypothesis H₂ in this study which states that self-efficacy has a positive and significant effect on audit judgment is accepted. Self-efficacy is a personal belief about the ability to carry out and complete tasks at a predetermined level [15]. Self-efficacy shows a person's belief that he is able to complete tasks at work [16]. This shows that the higher the self-efficacy of the auditor, the higher the quality of judgment produced by the auditor.

5. Conclusions and Suggestions

5.1. *Conclusion*

Based on the results of the research that has been done, the conclusion that can be drawn is that auditor competency has a significant positive effect on the audit judgment of the Public Accounting Firm in Bali. This means, the higher the competency possessed by the auditor, the better in giving judgment in the tasks he handles. Self-efficacy has a significant positive effect on the audit judgment of the Public Accounting Firm in Bali. This means that the higher the self-efficacy of the auditor, the better the quality of judgment issued by the auditor

5.2. *Suggestions*

Based on the results of the study, it was shown that auditor competency and self-efficacy were able to influence audit judgment. Audit judgment is an important consideration in making a decision on the auditor's opinion on financial statements, therefore the auditor must continue to improve his competency and have high self-efficacy.

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