

# THE EFFECTS OF WORK EXPERIENCE, ETHICAL PROFESSION, AND AUDITOR INDEPENDENCE ON AUDITING PERFORMANCE OF SUPERVISORY AGENCY IN CENTRAL SULAWESI INDONESIA

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## ABSTRACT

*The research objective was to examine and analyze the effect of work experience, professional ethics, and independence on auditor performance. Meanwhile, the long-term objectives to be achieved in this study are to establish a policy on the duties and functions of auditors, so that they can improve the performance of auditors, and comply with the principles and norms in auditing examination. To achieve specific research objectives, researchers will conduct research at the Financial and Development Supervisory Agency (BPKP) of Central Sulawesi Province. The data used are primary data by giving a questionnaire to each auditor at BPKP, and to deepen the data, the researcher will conduct interviews with BPKP leaders, the data are analyzed and evaluated by multiple linear regression analysis. The research results can contribute to the development of science, especially in the field of auditing through analysis and testing of theoretical suitability, through work experience variables, professional ethics, and independence. The results of the research can be used as a source of information and as a basis for making policies related to auditor performance.*

**Keywords:** Work Experience, Professional Ethics, Auditor Independence, Auditor Performance.

## INTRODUCTION

As a government entity, it is required to submit accountability financial reports for one period. As mandated in the Regulation of the Republic of Indonesia Audit Agency, Law no. 15 of 2006 states that state finance is a key element in the administration of state governance and has very important benefits in realizing the goal to achieve a just and prosperous society. To achieve the country's objectives, the management and accountability of state finances requires a free and professional audit agency to create a government that is clean and free from corruption (Ramandei et al., 2020). Central Sulawesi's Financial and Development Supervisory Agency (BPKP) as the government's internal auditor in carrying out its duties must comply with auditing and reporting standards in realizing an important element in accountability which is oriented towards serving the interests of users of financial statements and providing absolute assurance of the final results of the auditor's report (Masdar et al., 2021). Auditor ethics is the science of

assessing good and bad things, about rights and moral obligations. In order to improve the performance of auditors, the audience is required to have competence and independence, which is a neutral attitude that is free from the influence of the auditee and other parties who report findings.

Auditor performance is required to uphold professional ethics in accordance with the established code of ethics, the auditor profession has principles and morals, as well as ethical behavior (Sunyoto, 2020). Understanding the role of an auditor's ethical behavior can have far-reaching effects on how to behave towards their auditing tasks to conform to generally accepted accounting in giving opinions. In addition to upholding their independence, auditors can also meet the requirements of auditing standards having adequate work experience, education and expertise in the auditing field. Auditor professional ethics is a professional job in running it governed by the rules that have been set and each auditor obey it. The level of auditor independence is the responsibility of the public auditor profession which is expected to indirectly reflect independence and in carrying out its work it is obscured to be impartial in preparing reports on the results of audits that will be accepted by government agencies, the business world and investors (Furqan et al., 2020). In addition, auditors are required to have work experience in their duties which include work experience which includes planning audit work programs, compiling working papers and reports on the results of examinations.

Recently, many legal problems, especially problems of corruption have occurred in government organizations using bribery, illegal fees, and the use of state assets for personal gain that avoid the best practices and auditing (Zulaikha et al., 2021; Furqan & Din, 2019). The Financial and Development Supervisory Agency (BPKP) as the government's internal auditor in providing information in the form of audit findings that can be trusted as a reflection of the auditor's performance. Based on the phenomenon, the researcher is interested to investigate the influence of work experience, professional ethics, and independence on auditor performance by using an empirical examination at auditor working at BPKP of Central Sulawesi Province, Indonesia.

## LITERATURE REVIEW

### Auditor Work Experience and Professional Ethics

Experience is the whole lesson learned by a person from events experienced in the course of his life (Justiana, 2010). Experience based on length of work is the auditor's experience which is calculated based on the unit of time/year. So that auditors who have worked as auditors for a long time can be said to be experienced auditors. The longer they work as an auditor, the more knowledgeable auditors will be in the fields of accounting and auditing. The definition of experience according to Foster and Seeker (1997) states that, "experience is a measure of the length of time or years of work that a person has taken in understanding the duties of a job and has done it well." Meanwhile, according to Mönks et al. (1999), "experience is a learning process and additional potential development of behavior both from formal and non-formal education or it can also be interpreted as a process that leads a person to a higher behavior pattern." Hence, it can be concluded that experience can deepen and expand a person's ability to do a job. The more experienced someone is doing the same job, the more skilled and faster the individual to complete the job.

According to Arens et al. (2014) ethics can be broadly defined as a series of moral principles or values. Everyone has such a set of values, even if we pay attention to them or don't pay attention to them explicitly. Philosophers, religious organizations, and other groups have defined this set of moral principles and values in various ways. Examples of a set of predetermined moral principles or values are laws and regulations, church doctrine, codes of business ethics for professional groups such as public accounting, and codes of conduct in organizations (Ridaryanto, 2019). Professional ethics is a professional job and in carrying it out it is regulated by the rules that have been set by an association or organization and each member obeys (Yuwono, 2011). Every profession that provides services to the community has a code of ethics, which is a set of moral principles that govern professional behavior (Aveh et al., 2016).

## **Independence and Auditor Performance**

Due to different interests, in providing an opinion regarding the fairness of the audited financial statements, the public auditor must act independently of the interests of clients, users of financial statements, as well as the interests of the public auditors themselves. Wilcox (1952), Agrawal et al. (2020); Olagunju (2011) stated that independence is one of the important professional ethics of auditors, because the opinion of a public auditor is given to increase the credibility of the financial statements, which are basically a portrayal of management. The attitude of auditor dependence to the management and the client will make the opinion gives is meaningless (Suratno, 2017). The importance of the independence of public auditors encourages the public accounting profession to include it in the Professional Standards for Public Auditors (IAI, 2001), namely the second point of the General Standard stating that in carrying out their duties, public auditing members must always maintain an independent mental attitude in providing services professional.

Furthermore, according to Alissa et al. (2014), performance is a work result that can be achieved by a person or group of people in an organization both quantitatively and qualitatively, something with the authority and duties and responsibilities of each in an effort to achieve the goals of the organization concerned legally, does not violate the law and in accordance with morals and ethics. Performance can also be directed as performance and work results (BPKP, 2008). It is also referred to performance appraisal as an evaluation of a person's success or failure in carrying out his duties (Schweiger & Summers, 1994).

## **Hypothesis Framework**

Experience is the whole lesson learned by a person from events experienced in the course of an individual (Justiana, 2010). Experience based on length of work is the auditor's experience which is calculated based on the unit of time/year. So that auditors who have worked as auditors for a long time can be said to be experienced auditors. The longer they work as an auditor, the more knowledgeable auditors will be in the fields of accounting and auditing. According Arens et al. (2014), ethics can be broadly defined as a series of moral principles or values. Everyone has such a set of values, even if we pay attention to them or don't pay attention to them explicitly. Philosophers, religious organizations, and other groups have defined this set of moral principles and values in various ways.

Independence is a unique indicator of the public accounting profession (Rodríguez-Ávila & Monllau-Jaques, 2013). In general, a member of a profession is expected to pay attention only to the interests of the client, but in the public accounting profession an auditor who is carrying out audit services must pay attention to the interests of clients and also third parties who base decisions on these financial statements who often do not know who the person is. Experience is an important element that must be possessed by an independent auditor to work as a professional (Mardijuwono & Subianto, 2018). Professional traits are conditions of technical perfection that a person has through years of practice and study that are useful for developing the technique, and the desire to achieve perfection and excellence over the peers. Performance is a description of the level of achievement of the implementation of an activity, policy programs in the form of goals, objectives, mission and vision of the organization contained in strategic planning, and performance appraisal is an evaluation activity and performance results.

Sari and Susanto (2018) stated that the work experience of an auditor can be measured by the steps the auditor takes to examine the financial statements in terms of both the length of time and the number of assignments that have been performed. The use of experiences is based on the assumption that tasks that are repeated repeatedly provide opportunities to learn to do their best. Work experience includes the many types of jobs or positions that have been occupied by a person and the length of time they have worked in each of these jobs/positions (Tielman, 2012). The inexperienced auditors have a more significant error rate compared to more experienced auditors (Abdolmohammadi & Wright, 1987; Choo & Trotman, 1991; Nelson & Tan, 2005).

The previous research view that the professional ethics of the auditors is one of the factors that influence the improvement of audit performance (Agus & Aziza, 2020; Nasrabadi & Arbabian, 2015). By upholding professional ethics, it is expected that there will be no fraud committed by auditors, so that they can provide audited opinions that are truly in accordance with the financial statements and increase public confidence in auditors. Professional ethics can be seen from the personality of the auditor by being responsible for his profession and prioritizing the public interest rather than the personal interest of the auditor, being objective in that the auditor is honest, not influenced by the opinion of certain parties in making decisions and applying the principle of prudence. The auditor is responsible for carrying out the examination, which is an attitude in which the auditor is professional in making decisions and carrying out examinations in accordance with the established code of ethics and does not interpret the code of conduct according to personal wishes.

Moreover, previous research also denotes the importance of independence as significant determinant of auditor performance (Pflugrath et al., 2007; Sulistiyo et al., 2020; Taylor et al., 2003). This is due to the fact that an auditor is free from the influence of other parties that can influence when reviewing the audit object. Basically, independence means the existence of honesty within the auditor in considering the facts and the existence of an objective, impartial attitude within the auditor in formulating and holding auditing opinion. Therefore, when auditors carry out their duties, they must have high honesty and carry out the audit objectively.

Based on the above framework of thought, a conceptual research paradigm can be created in the following hypotheses:

*H<sub>1</sub>: There is a significant and positive effect of work experience on performance auditor*

*H<sub>2</sub>: There is a significant and positive effect of professional ethics on performance auditor*

**H<sub>3</sub>:** *There is a significant and positive effect of independence on performance auditor*

**H<sub>4</sub>:** *There is a simultaneous influence of work experience, professional ethics and independence on auditor performance.*

## RESEARCH METHODS

The population and sample in a study need to be determined with the aim that the research carried out actually gets the data as expected. Population is a set of data that has the same characteristics and becomes the object of inference, Inference statistics is based on two basic concepts, population as the whole data, both real and imaginary, and the sample, as part of the population used to make inference (approach/depiction) the population from which it originated (Sugiyono, 2013). In this study the population is all auditors at BPKP Representatives of Central Sulawesi Province, Palu, namely 71 auditors (shows in Table 1).

No.	Position	Amount
1	Supervisor	5
2	Executing Auditor	3
3	Intermediate Auditor	7
4	Young Auditor	5
5	First Auditor	39
6	Managing Auditor	12
<b>Total</b>		<b>71</b>

The sample is part of the number and characteristics possessed by this population sample drawn from the population to be truly representative. Sample size is the number of samples to be taken from a population. According to Arikunto (2012), if the population is less than 100 people, the total sample is taken as a whole, but if the population is greater than 100 people, 10-15% or 20-25% of the population can be taken. Based on this study, because the total population is not greater than 100 respondents, the authors take 100% of the total population at the BPKP Representative of Central Sulawesi Province, namely as many as 71 respondents. Thus, the use of the entire population without having to draw the research sample as a unit of observation is called a census technique.

The multiple linear regression analysis is used to find out how the dependent variable can be predicted through two or more independent variables as predictor factors. This study tries to see how much influence work experience, professional ethics and independence have on auditor performance. The output was presented by using SPSS statistical program for windows program version 21.0.

## RESULTS

The results of the regression coefficient values obtained from the results of the multiple linear regression analysis above, the regression model equation that describes the effect of work experience, professional ethics and independence on auditor performance is as follows:

The equation above illustrates the magnitude of the influence of the independent variable on the dependent variable. The coefficient of work experience (X1), professional ethics (X2),

independence (X3), which is positive indicates that there is a direct influence between independent variables and the dependent variable.

<b>Independent Variable</b>	<b>Coefficients</b>	<b>t-stat.</b>	<b>Sig.</b>	<b>r-partial</b>
<b>Constant</b>	4.223			
X1	0.399	3.602	0.001	0.465
X2	0.340	3.069	0.004	0.409
X3	0.316	3.940	0.000	0.498

The results showed that the variable of work experience (X<sub>1</sub>) obtained the value t<sub>stat.</sub> of 3.602 > t<sub>table</sub> of 1.675 and the significance level of <5 %. Therefore, partially, the work experience variable (X<sub>1</sub>) has a positive and significant effect on auditor performance (Y). The results confirm that the variable auditor experience has a partial effect on auditor performance. Experience based on the length of work is the experience of the auditor which is calculated based on the unit of time/year. So that auditors who have worked as auditors for a long time can be said to be experienced auditors. The longer they work as an auditor, the broader the auditor's knowledge will be in the fields of accounting and auditing. Auditor's experience is an important factor needed in completing the work. The more experienced an auditor is, the more capable he is in producing better performance in audit tasks. This is also in line with research conducted by Herliansyah and Ilyas (2006), which found that the auditors' audit experience plays a role in determining the judgment taken so as to improve audit quality.

The results demonstrate that the variable of professional ethics (X<sub>2</sub>) obtained by value t<sub>stat.</sub> of 3.069 > t<sub>table</sub> of 1.675 and the significance level of <5 % that is 0.004 < 0, 05. Therefore, in partial professional ethics (X<sub>2</sub>) significantly affects the performance of auditors (Y). It shows that professional ethics has a positive and significant effect on auditors' performance. The test results show that professional ethics has a significant effect on auditor performance. This shows that professional ethics has an important role in improving auditor performance. This means that the higher the professional ethics possessed by the BPKP-Central Sulawesi auditors, the better the auditor's performance. This illustrates that the professional ethics that BPKP of Central Sulawesi has is very good. Professional ethics is a characteristic of another profession, which functions to regulate the behavior of its members.

The statistical results showed that the variable of independence (X<sub>3</sub>) obtained by value t<sub>stat.</sub> of 3.940 > t<sub>table</sub> of 1.675 and the significance level of < 0.05. Therefore, partially the independence variable (X<sub>3</sub>) has a positive and significant effect on auditor performance (Y). It means that independence has a positive and significant effect on auditor performance. This shows that when auditors carry out their duties, they are not easily influenced by other parties. Because the auditor in carrying out his duties is a situation where the auditor has high honesty and conducts audits objectively.

Moreover, F-test is used to determine whether all independent variables (X) simultaneously have a significant effect on the dependent variable (Y). Based on the results of ANOVA or F-test obtained the value of F<sub>stat.</sub> of 44.911 > F<sub>table</sub> for 2.19 and the level of significance is less than the level of 0.000 < 0.05. Based on these results, it can be interpreted that work experience, professional ethics and independence simultaneously affect auditor performance (shows in Table 3).

<b>F-stat</b>	<b>F-table</b>	<b>Sig F</b>
44.911	2.19	0.000
R = 0.861	R. Square = 0.741	
Adjusted R Square = 0.725	$\alpha = 0.05$	

The hypothesis testing also shows that the variables work experience, professional ethics, and independence simultaneously have a significant effect on auditor performance. The results of the hypothesis test state that the effect of work experience, professional ethics, and independence has a simultaneous effect on auditor performance. professional ethics influential significant on the performance of auditors. auditors who have ethics and independence can improve the performance of auditors to be better and with better quality. An auditor who has worked as an auditor for a long time can be said to be an experienced auditor. The longer they work as an auditor, the broader the auditor's knowledge will be in the fields of accounting and auditing.

## CONCLUSIONS

The results of the analysis of the effects of professional ethics, independence, and audit expertise on auditor performance showed that work experience, professional ethics, and independence simultaneously have a significant and positive effect on auditor performance at BPKP Representative Office of Central Sulawesi Province. Partially, the testing showed that work experience, professional ethics and independence partially has a significant and positive effect on BPKP Auditor Performance in Central Sulawesi Province.

The results theoretically contribute that in terms of ethics, a profession must have a high moral commitment which is outlined in the form of special rules. These rules are the rules of play in carrying out or carrying out the profession, which is commonly called a code of ethics. The code of ethics must be fulfilled and obeyed by every profession that provides services to the community and is a tool of trust for the wider community. Thus, as a practical implication, it can be presented that every auditor is obliged to adhere to professional ethics related to the services provided when it comes to the wider community. Therefore, by upholding professional ethics, it is hoped that the performance of auditors will increase.

Based on the analysis and the conclusions related to this research, the suggestions put forward as to recommend to the BPKP auditors for Central Sulawesi Province that in carrying out the audit process, auditors must act independently on the job, have a sense of responsibility if the results of the examination still require improvement and refinement and avoid practices that eliminate important problems or significant findings from a report containing the audit findings so that in carrying out the audit task it is truly objective and can produce a quality audit.

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