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The impact of audit paradigm and obedience pressure on perceived audit judgment

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Abstract

This study aims to describe and critically examine and compare the influence of audit paradigm and obedience pressure on perceived audit judgment between novice and experienced auditors via questionnaires distributed to two groups which consist of accounting students that already took auditing course and internal auditors from several public universities in east java, Indonesia. The empirical results find that there is a significant difference in perceived audit judgment between novice and experienced auditors. In conclusion, ethics education should be a long term learning process throughout an auditor's professional life to promote appropriate fairness or moral judgments.

Keywords: Internal audit, Audit paradigm, Judgment.

El impacto del paradigma de auditoría y la presión de obediencia en el juicio de auditoría percibido

Resumen

Este estudio tiene como objetivo describir y examinar críticamente y comparar la influencia del paradigma de auditoría y la presión de

obediencia en el juicio de auditoría percibido entre auditores noveles y experimentados a través de cuestionarios distribuidos a dos grupos que consisten en estudiantes de contabilidad que ya tomaron un curso de auditoría y auditores internos de varias universidades públicas. en Java Oriental, Indonesia. Los resultados empíricos encuentran que existe una diferencia significativa en el juicio de auditoría percibido entre los auditores novatos y experimentados. En conclusión, la educación ética debe ser un proceso de aprendizaje a largo plazo a lo largo de la vida profesional de un auditor para promover la equidad adecuada o los juicios morales.

Palabras clave: Auditoría interna, Paradigma de auditoría, Juicio.

1. INTRODUCTION

In the era of industrial revolution 4.0, where information and knowledge are easily accessible and scattered in the world wide web, the knowledge about auditing can be learned by everyone that has the interest to learn auditing course. So, in terms of knowledge, novice auditors may be able to possess the same level of knowledge as experienced auditors. Even though from the aspect of mental readiness, experienced auditors certainly have more experience than novice auditors. It is due to novice auditors never face pressure from the superiors in the workplace. Novice auditor is defined as accounting students that already took auditing course, while the experienced auditor is defined as auditors that already have experienced to work as an internal auditor in public educational institutions.

Auditors are also required to exercise their audit judgment during audit work. Audit judgment is a consideration of perceptions in responding to financial statement information obtained, coupled with personal factors of an auditor that serve as a basis for his or her

assessment. However, in planning, implementing, and reporting the results of an audit, the auditor needs to use professional judgment because the result is dependent on it. It involves the use of a systematic and rigorous audit process involving the collection and evaluation of evidence and information.

The judgment could change depending on the information and new audit evidence obtained by an auditor. When expressing an opinion on the fairness of financial statements, there should be consideration and decision on the extent of the accuracy of the evidence and information provided by the client. It is necessary to ensure the decisions and judgment made by the auditors based on relevant and reliable information. Audit judgment is influenced by technical factors such as the limited scope of the audit by the client and non-technical elements originating from the auditor's behavior such as obedience pressure. In the audit process, the auditor has the possibility of experiencing obedience pressure from both the superiors and the client. The one suffered from the superiors could lead to psychological changes for individuals with independent of agent behavior (HASAN & ANDREAS, 2019).

This study collected data through survey instruments distributed to internal auditors from several public universities in east java and also accounting students that already took audit courses. The method used to analyze the data is by using an independent sample T-test to compare the difference in the variables of audit paradigm, obedience pressure and perceived audit judgment between novice and experienced auditors. Afterward, the regression analysis is conducted to test for the significance of the constructed variables (SANUSI, ISKANDAR, MONROE & SALEH, 2018).

The expected contributions of this research are important from the theoretical perspective because most prior literature on aspects of internal audit function has not focused on empirical evidence regarding the university context. Also, the findings of the study are important from a practical perspective, as they can help universities to improve the teaching of audit courses to students and also to strengthen the role of internal auditors in public educational institutions (HASNIDAR, MEDIATY & KUSUMAWATI, 2018).

The remainder of this article is organized as follows. Section two briefly explains the audit paradigm, obedience pressure, and audit judgment, followed by the theoretical framework in the third section. Section four discusses the literature review and hypothesis development. The research design is presented in the fifth section, followed by the empirical results and analysis in the sixth section. Lastly, the conclusion was presented in the final section with a brief explanation of the limitations and suggestions for future research (GOLLWITZER, 2012).

2. THEORETICAL FRAMEWORK

NUGRAHANTI & JAHJA's (2018) obedience theory suggests that individuals subjected to obedience pressure will make decisions contrary to their attitudes, beliefs, and values, in part, because they can remove themselves from responsibility for their judgments and decisions after an individual with authority directs them to action. The obedience theory explains how pressure and rationalization encourage someone to commit fraud. In this context, the pressure from higher authorities has the potential

to increase the possibility of non-compliant subordinates losing their jobs. It also reveals that these individuals are exposed to conflicts between personal values, beliefs, and pressures to obey a higher authority (DAVIS, DEZOORT & KOPP, 2006).

According to the theory, individuals rationalize their behavior by placing full responsibility on more senior figures. Such that if they can convince themselves they are just following orders and do not have the opportunity to reject them, they will assume their decisions are not their responsibility. DAVIS, ET AL. (2006) in their empirical research, they state that auditors tend to make unethical decisions when faced with the pressure of obedience from their superiors. Auditors always face the complexity of different intertwined tasks (ALI, 2016).

3. RESULTS AND DISCUSSION

Table 1 presents the demographic profile of respondents, 20% were male and 80% were female. Based on age, 86.3% were 20-30 years old, 7.4% were 31-40 years old, 4.2% were 41-50 years old and 2.1% were more than 50 years old. Based on educational level, 9.5% were diploma students, 78.9% were undergraduate students, 10.5% were master and 1.1% were Ph.D. holders. According to the working experience, 66.3% already have working experience, while 33.7% did not have working experience. Lastly, according to the audit paradigm, 31.6% possess an old audit paradigm, whereas 68.4% have a new audit paradigm.

Table 1: Frequency Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Sex	Male	19	20.0	20.0	20.0
	Female	76	80.0	80.0	100.0
	Total	95	100.0	100.0	
Age	20-30 years old	82	86.3	86.3	86.3
	31-40 years old	7	7.4	7.4	93.7
	41-50 years old	4	4.2	4.2	97.9
	> 50 years old	2	2.1	2.1	100.0
	Total	95	100.0	100.0	
Educational Level	Diploma	9	9.5	9.5	9.5
	Undergraduate	75	78.9	78.9	88.4
	Master	10	10.5	10.5	98.9
	PhD	1	1.1	1.1	100.0
	Total	95	100.0	100.0	
Work Experience	No	63	66.3	66.3	66.3
	Yes	32	33.7	33.7	100.0
	Total	95	100.0	100.0	
Audit Paradigm	Old	30	31.6	31.6	31.6
	New	65	68.4	68.4	100.0
	Total	95	100.0	100.0	

Table 2 reveals the descriptive analysis of all items in the survey. There are seven items represent the audit judgments, while there are eight items for representing the views of respondents on obedience pressure and lastly, there is only one item that represents the audit paradigm. This study found out that the obedience pressure variable is not normally distributed after running through the test of normality in which the significant level of all variables is less than $p < 0.05$. Therefore, the data transformation has been taken to transform the obedience pressure score into a normal score using the formula of Van der Waerden. Thus, the authors can proceed using parametric analyses to test the hypotheses.

Table 2: Descriptive Statistics

SAMPLE		N	Mean	Std. Deviation	Std. Error Mean
PA	1	18	1.72	.461	.109
	2	77	1.68	.471	.054
TAJ	1	18	56.00	10.318	2.432
	2	77	48.82	8.779	1.000
NTOP	1	18	.23	1.095	0.258
	2	77	-.05	0.928	0.106

Assuming that the alpha (α) adopted is 5%, the Levene test result shows that the variables being observed have the same variances. All of the variances of audit paradigm, audit judgment, and obedience pressure variables reveal homogeneity. Therefore, a t-test assuming equal variance will be used for all three variables.

Table 3: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	T	df	Sig(2-tailed)	Mean Difference	Std. Error Difference
PA	Equal variances assumed	.676	.413	382	93	.704	.047	.123
	Equal variances not assumed			387	25.981	.702	.047	.121
TAJ	Equal variances assumed	.009	.924	3.021	93	.003	7.182	2.377
	Equal variances not assumed			2.731	23.092	.012	7.182	2.630
NTOP	Equal variances assumed	.691	.408	1.117	93	.267	.281	.252
	Equal variances not assumed			1.007	23.039	.324	.281	.279

Based on the table above, the variable of the audit paradigm (PA) shows a value of 0.704. It means that there is no significant difference in the audit paradigm between novice and experienced auditors. Therefore

the hypothesis is not supported. Then, the variable of obedience pressure (NTOP) shows the value of 0.267. It also means that there is no significant difference in obedience pressure between novice and experienced auditors. Therefore the hypothesis is not supported. Lastly, the variable of audit judgment (TAJ) shows the value of 0.003. It indicates that there is a significant difference in perceived audit judgment between novice and experienced auditors. Further test using moderated regression analysis is conducted to look at the cause of significance of audit judgment variable.

Table 4 demonstrates the Spearman's correlation results. SANUSI ET AL.(2018) stated that the presence of collinearity problems among the independent variables or predictors is when the correlation value exceeds +/- 0.8. Therefore, a correlation value higher than 0.8 is a sign of the existence of the collinearity problem that could mislead the results of panel data regression analysis. The table below finds that high collinearity problem is not present among the independent variables. The highest correlation value is recorded between EDU and AGE (0.566), followed by the correlation value between WORK and AGE (0.501). It implies that there is no collinearity problem among the independent variables.

Table 4: Correlations

	SEX	AGE	EDU	WORK	TAJ	PA	NTOP	PA_NTOP
SEX	1	-.374**	-.343**	-.200	-.192	-.057	.127	-.066
AGE	-.374**	1	.566**	.501**	.263*	.060	.107	.079
EDU	-.343**	.566**	1	.226*	.099	-.049	-.045	-.109
WORK	-.200	.501**	.226*	1	.145	.053	-.012	.178
TAJ	-.192	.263*	.099	.145	1	-.052	.038	-.002
PA	-.057	.060	-.049	.053	-.052	1	-.083	.063
NTOP	.127	.107	-.045	-.012	.038	-.083	1	-.132
PA_NTOP	-.066	.079	-.109	.178	-.002	.063	-.132	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 5 shows that three independent variables of audit paradigm (PA), obedience pressure (NTOP) and interaction between audit paradigm and obedience pressure (PA_NTOP) are insignificant in explaining audit judgment (TAJ). The insignificant relationship between TOP and TAJ is against the prior studies.

Table 6 indicates that obedience pressure (NTOP) is significant in explaining audit judgment (TAJ). TOP is negatively significant at 5% level. This finding is consistent with prior studies. The negative sign shows that obedience pressure to superiors will affect the audit judgment of auditors. On the other hand, the other two variables of audit paradigm (PA) and interaction between the audit paradigm and obedience pressure (PA_NTOP) are insignificant in explaining audit judgment (TAJ).

Table 5: Regression Coefficients of Experienced Auditors

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	66.411	9.978		6.656	.000
SEX	-4.051	2.942	-.163	-1.377	.173
WORK	-2.345	2.711	-.104	-.865	.390
EDU	-4.982	3.892	-.153	-1.280	.205
PA	-1.661	2.158	-.089	-.770	.444
NTOP	1.586	1.168	.168	1.358	.179
PA_NTOP	-.031	2.228	-.002	-.014	.989

Table 6: Regression Coefficients of Novice Auditors

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	63.158	14.407		4.384	.001
SEX	-2.157	5.410	-.107	-.399	.698
AGE	2.672	2.993	.255	.893	.391
EDU	-3.368	3.632	-.280	-.927	.374
PA	.690	5.362	.031	.129	.900
NTOP	-7.686	2.706	-.816	-2.840	.016
PA_NTOP	9.602	7.541	.378	1.273	.229

Regarding the regression results shown in table 5, it can be discovered that obedience pressure did not influence audit judgment. This finding is against obedience pressure theory and previous studies. The possible reason might be able to be explained by moral development theory. The university students surveyed might be at the second stage (conventional) or the highest stage (post-conventional). The students begin to form moral reasoning in themselves by obeying rules such as ethical rules, professional codes of ethics to avoid dysfunctional behavior. Therefore, they disobey the pressure from superiors. They have moral consideration when addressing ethical issues related to the perceived audit judgment. The results of this study are also in line with the research of SANUSI ET AL. (2018) that the moral reasoning possessed by auditors will be able to maintain their consistency in carrying out audits and providing judgment. Moral reasoning can suppress a person's moral dilemma in any situation to be awake in carrying out a task.

Discussing the finding shown in table 6, it can be discovered that obedience pressure influences audit judgment. HASAN & ANDREAS (2019) argued that excessive obedience pressure received by the auditor from the boss or client causes dysfunctional behavior and violates professional standards. They tend to fulfill the client requests or supervisor's instructions to tolerate mistakes in the financial statements. The pressure from superiors will improve the perception of audit judgment conducted by the auditor (PRATAMA, AHMAD & INNAYAH, 2018). This finding is also consistent with the obedience pressure theory. According to the theory, individuals rationalize their behavior by placing full responsibility on more senior figures. Such that if they can convince themselves they are just following orders and do not have the opportunity to reject them, they will assume their decisions are not their responsibility (DAVIS ET AL., 2006).

4. CONCLUSION

This study aims to determine the effect of audit paradigm, obedience pressure, and interaction between audit paradigm and obedience pressure on the perceptions of audit judgment. Based on the results of data analysis and discussion that has been explained above, several things can be concluded. First, the audit paradigm and obedience pressure have no significant influences on audit judgment perception for the respondents of novice auditors. It shows that novice auditors who are under pressure of obedience do not tend to behave dysfunctionally and keep trying to produce a proper judgment audit to

have good audit results. Second, the obedience pressure has a significant influence on audit judgment perception for the respondents of experienced auditors.

It shows that experienced auditors who are under pressure of obedience will tend to behave dysfunctionally and will not produce a good judgment audit to have good audit results. In addition to that, the audit paradigm also does not affect the perceived audit judgment. It shows that either a traditional or risk-based internal audit paradigm gives no effects on perceived audit judgment either for the novice or experienced auditors.

A policy implication from this study for the profession is that ethics education is critical. Moreover, ethics education should be a long term learning process throughout an auditor's professional life to promote appropriate fairness or moral judgments to ensure professional obligations and social responsibility. Auditors' professional judgments fit with Kohlberg's propositions that basic categories of morality such as justice, duty, rights, and social order, are self-constructed by the individual, not viewing the individual as merely passively absorbing the ideology of a person's culture. Auditors' professional judgments are not passive but require individual integrity, objectivity, fairness, honesty, and technical competence.

Therefore, The Professional Board like the Institute of Indonesia Chartered Accountants and Indonesian Institute of Certified Public Accountants should pay attention to and anticipate the influence

of obedience pressure on violations of professional standards, such as issuing regulations that guiding the internal auditor to be independent. Lastly, just like any other study, this study also has its limitations. The limitation of this study include (1) data collected through questionnaires was minimal, (2) and other factors that can influence the perceived audit judgment are not included in this study. Therefore, it is recommended that future studies conduct (1) survey that can obtain more respondents from students and internal auditors from universities, and (2) experimental research methods by adding more variables that can affect perceived audit judgment.

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