

CHAPTER I

INTRODUCTION

1.1 Research Background

An organization or company must have good quality employees if they want to develop their business. Employee who has good quality is an employee who has good performance in achieving the targets that has been set by company. A company also requires indicator to monitor their employee to see each of their performance.

The highest level in management often takes employee performance indicator evaluation as an important role in monitoring and running the company. Any evolution will provide reports about how each employee are doing their jobs. In certain company, usually a reward given by the top management to the employee who has the best performance, such as Employee of the Month, or any rewards. Those rewards are given because the employee succeed in achieving the target of the company, or any work that has been done in time period and also can motivate employee to do much better works. According to Robbins and Judge (2013), performance of an employee is the result based on the evaluation of every work that has been done and compared to the standard that has been set by the company in the very beginning of its planning. In the case of auditor, the term of performance is usually called as auditor performance. A professional public auditor can be seen by their performance in running their job and their function. An auditor must be honest or independent to produce a good qualified performance in reporting the results of financial statement (Trisnaningsih, 2007).

There are many factors that can affect auditor performance. According to the research done by Ardyana (2017), that auditor independence, auditor experience, auditor

competence give an effect to the quality of auditor performance. Those 3 factors are factors come personal factors. Besides that, there is another factor that will give effect to the quality of audit, that is religiosity factor. The researcher chose auditor independence, auditor experience, auditor competence and religiosity as the variables factors because the researcher wanted to find out or test the effect of those variables to the auditor performance whether the impact is positive or negative in affecting the performance of public accounting firm in Central of Java especially in Solo. In addition, it was founded that less of researcher used religiosity as moderating variable to measure auditor performance. Only several people think that religiosity can give an affect to performance or behavior of an auditor. The researcher asked directly to the auditor in public accounting firm in Solo to know about the effect of auditor independence, auditor experience, auditor competence, and religiosity to define their performance based on their own standpoints.

The researcher used independent auditor as one of the factors because independence a means that public accountant must being independent not only to the management owner of the company, but also to the creditor, and other parties that trusted in their job to public accountant (Christiawan, 2002). The auditor also required to act as a professional where their opinion must be adjusted by the real fact which encountered during the audit. As stated by Sofie and Nugroho (2018), the auditor must have independence in every single act while doing their job, especially when they founded fraud in reporting financial statement. Auditor should be able to report all fraud found even though they work under pressure by other parties. Auditor is not allowed to choose any sides and must stand in between (neutral), their point of views must be objective and fair.

There was a case on Indonesia in public accounting in Jambi in 2009. A public accounting was creating fake financial statement for Raden Motor company to earn company loan worth Rp 52 Billion from BRI Jambi. This was revealed after Kejati Jambi revealed the alleged corruption case in bad loans for business development in the automotive sector. After long investigation, it was proven that Biasa Sitepu as accounting public was involved in this case. That is why auditor has to be independent. The researcher also chose auditor experience as one of the factors that can affect auditor performance because auditor with less experience will also produce less quality and more experienced will produce good quality. According to Lehmann and Norman (2006), the more experienced auditor will influence the complexity of the problem and also audit judgment. It has been proven that more experienced auditor will more clearly and details when faced the problem rather than the less experienced auditor. According to Kurniawan (2019), experience also gives an impact in every decision making in the implementation of audit, there for hopefully that every chosen decision is correct.

Competency was also chosen as a factor that can determine auditor performance. In this research, the researcher wanted to know whether the competency of auditor really affects auditor performance or not. The researcher was specified in public accounting firm in Solo because there were still lack of study using religiosity to measure the auditor performance in public accounting firm in Solo and the easiness of getting the respondents. Competency of auditor according to AAA Financial Accounting Standard Committee (2001) is one of the requirements to produce good quality audits besides independence. This quality has direct effects on actual audit quality, as well as potential interactive effects. In addition, financial statement users' perception of audit quality is the function of their perceptions on both auditor independences. In audit implementing, public

accountant must be expert in accounting and auditing. Public accountant also has to follow the progress of development which happens in business and also in their profession (Christiawan, 2002).

The gap between the theories with the previous study used in this research is that there are some people or researcher that had different perspective about independence which has a significant effect on auditor performance. The previous study about independence according to Pamilih (2014) independence does not significantly affect auditor performance. Based on the research results, there is insignificance between auditor independence and auditor performance because the freedom of giving an opinion is not related with the behavior and appearance of an auditor while doing their task. On the other hand, many researchers have different results that showed independence has a positive significant impact on the auditor performance. According to Kurniawan (2019), the independence has a significant effect on audit quality. The result from this research showed that there was a positive 0.516 regression coefficient of the variable auditor independence which will give an effect towards the quality of auditor. Based on the previous research above, this shows if that is founded if there is an increase of result in auditor independence variable, it will give an impact in improving the quality of auditors. On the other side, if it was founded a decrease in independence variable, then it will give an impact to the quality of auditor also. That factors can still be argued whether it is having a positive significant effect or negative significant effect. There are also some researchers that think having less experience in doing audit, auditor can still produce a good audit quality. Kurniawan (2019) explained that auditor experience is not having a positive relation in making good audit quality. It is because his stated research was done by majority young auditor who only has less than 2 years (52.94%) rather than those who

has 2-10 years' experience or more than that (47,06%). The correspondents have a thought that quality of audit cannot be seen by the experience. However, the research done by Winarna and Mabruri (2015) shows that the more experience that the auditor have, the performance of an auditor will also improve and also it will produce a good result in auditing. So from the previous results of researcher done, there is still different opinion between some researchers about the effect of auditor experience toward auditor performance.

Since there is different result from different previous researcher about those variables, therefore, by doing this research. The researcher wants to know whether auditor independence, auditor experience, auditor competence, and religiosity could affect in a positive or negative way in determining auditor performance from the perspective of auditor in public accounting firm in Solo.

1.2 Research Problem

Based on the introduction which is explained above, the research questions are as follow:

1. Does Auditor Independence affect Auditor Performance?
2. Does Auditor Experience affect Auditor Performance?
3. Does Auditor Competence affect Auditor Performance?
4. Does Auditor Independence moderated by Religiosity affect Auditor Performance?
5. Does Auditor Experience moderated by Religiosity affect Auditor Performance?

6. Does Auditor Competence moderated by Religiosity affect Auditor Performance?

1.3 Research Objective

The objectives of this research are:

1. To examine the effect of Auditor Independence toward Auditor Performance
2. To examine the effect of Auditor Experience toward Auditor Performance
3. To examine the effect of Auditor Competence toward Auditor Performance
4. To examine the effect of Auditor Independence moderated by Religiosity toward Auditor Performance
5. To examine the effect of Auditor Experience moderated by Religiosity toward Auditor Performance
6. To examine the effect of Auditor Competence moderated by Religiosity toward Auditor Performance

1.4 Research Contribution

The writer would like to contribute the research for both theoretical and practical use. Those benefits can be useful for the following parties:

- a. The Public Accounting Firm (KAP)

The result of this research will be useful as the evaluation of self-assessment system implementation among the auditors in Public Accounting Firm (KAP) in Solo.

- b. The Other Researchers

The result of this research may contribute a literature work to expand the study of the effects of independence, competence, and experience toward auditor performance using religiosity as moderating variable.

1.5 Systematic of Writing

The systematic of writing of this research consists of 5 chapters, those are:

Chapter I Introduction

The first chapter includes the introduction which explains the background of the study, research problem, research objective, research contribution, and the systematic of writing of this research.

Chapter II Theoretical Review

The second chapter includes the theoretical review which explains the literature review, theoretical basis, review of previous study, conceptual framework, and the hypothesis development of this research.

Chapter III Research Method

The third chapter includes the research method which explains the population and sample of the research, the data collection method, the research variables and measurement, the data quality test, and the analysis technique of this research.

Chapter IV Research Findings and Discussion

This chapter explains about the result of the findings and the discussion regarding the research analysis. This chapter contains a discussion of the various results of the data collection and the analysis of these results.

Chapter V Conclusions and Recommendations

This chapter is the closing section of this research, which gives the conclusions regarding the whole research process and recommendations for further studies.