

CHAPTER II

THEORETICAL REVIEW

2.1 Literature Review

2.1.1 Auditor Performance

There are so many factors that can measure auditor performance, all those factors will give an impact in the quality of auditor performance itself. According to Marganingsih and Martani (2010), auditor also needed professional attitudes and good behavior to give good auditor performance. If it is viewed from the scope of work, a good quality of audit performance can be seen by how the auditor use their characteristic in implementing auditing tasks using auditing standard and quality control standard which describe all best audit in practices (Nugrahini, 2015).

Auditor performance can also could be said as a result that has been produced by an auditor who finished their task based on the list that has been stated by the company or organization in the beginning of the plan during time period (Putri and Saputra, 2013). According to the research that has been done by Winarna and Mabruri (2015), they stated that the quality of performance of auditor can be seem trough an auditor that could give a correct respond in every single audit that has been done. Some researchers argued about the factors that can give an effect to quality of auditor.

2.1.2 Auditor Independence

Independency is a factor that is needed by an auditor as stated on AAA Financial Accounting Standard Committee in 2001. They stated that independence determined the quality of audit which the quality has a direct effect the same as interactive effects on

actual audit quality. In addition, financial statement user's perception of audit quality is a function of their perceptions of independence.

Kurniawan (2019) stated that the quality of audit is supported by how far the auditor independence could survive under the pressure from the client with ethical behavior that they have. Ethical behavior means the integrity and objectivity while doing audit. The pressure from clients also can give an effect when the auditor gives their opinion.

According to the research that has been done by Pamilih (2014), it showed that the independence was not giving any impact on the performance of auditor because of the it will to gives an opinion to the client and independence is not giving any effect in the performance.

2.1.3 Auditor Experience

Auditor experience is accumulation of combination from everything that gained from face to face and interactions continuously with objects, situations, ideas, and sense that happens during the process of auditing (Winarna & Mabruri, 2015). So from this statement, auditor who has more experience will have less attribution of mistake compared with auditor who has less experience.

According to Lehmann & Norman (2006) related to auditor experiences auditor who is expertise will define more clearly the problem compared to expertise who do not have the opinion that has been produced which will influence the auditor judgment.

Gustiawan (2015) stated in his research that being auditor must have skill and high professionalism that all of that are not only influenced by high formal education but also

other factors that is experience. Experience can significantly increase the audit judgment. Auditor with more experience will produce higher quality of audit and also opinion or judgment of someone.

2.1.4 Auditor Competence

According to the explanation of Rai (2008), competence is qualification that needed by auditor in the implementation of correct and good performance. Auditor must have a good personal, enough knowledge, and also expert in their job. He also stated on his book that competence comes from internal factor in attribution theory and also it is part of individual behavior which comes from the inner of each individual.

Based on the research done by Nugrahaeni, Samin, and Nopiyanti (2019), related to competence, the auditor must have knowledge to understand all entities which is going to audit and ability to work with the team to analyze the problem and situation. It is mean auditor competence will give a good quality in audit. Thus will be satisfied by the information.

2.1.5 Religiosity

According to Fitriyah (2017), religiosity is internalization of the value of religion which could build the personality of each individual. There are no limits in religiosity which means that each individual can practice their spiritual activity in daily activities. Religiosity is also a commitment of individual in their religion.

Auditor who has religiosity according to Winarsih (2018) is more than responsible for every behavior while doing their job because their statement will be judged not only in this world but also in after life. There are so many cases that has been done by auditor because of the lack of behavior in their religiosity such as fraud. It will be a different if

someone who has high religiosity in their personal. He will be more afraid to do fraud because he is afraid of God.

Based on the research done by Suryaningsih, (2019), religiosity is showing their faith to God including an accountant. By having Faith to the God, a professional accountant could work nice and well based on his big responsibility not only to human, but also to their God.

2.2 Theoretical Basis

2.2.1 Attribution Theory

According to Fritz Heider in Pratomo (2015), attribution theory is a theory that explains about human behavior. Attribution theory also explains the reason and motive of human behavior in every single act. According to Luthans (2005), this theory focused on factors that cause human behavior which is from internal factors such as their attitude, character, behavior, etc. or from external factors such as the pressure from every situation or special conditions. Luthans (2012) on his other book also stated that this theory is concerned with the relationship between personal social perception and interpersonal behavior

2.2.2 Value Theory

Based on Rescher (1970), value theory seems to refer to a body of techniques developed for describing, analyzing, and explaining human values. The notion of values is inextricably connected to two human characteristics. First is the existence of wants about needs and desire and satisfaction and dissatisfaction. Second is the rationalization of activity. It encompasses all branches of political philosophy, moral and social philosophy, aesthetics, and sometimes feminist philosophy and the philosophy of religion, whatever

areas of philosophy are deemed to encompass some evaluative aspect. Value theory was designed to catch up the area or moral philosophy. Usually, it covers the questions about the value or the goodness of any kind of variety.

2.3 Review of Previous Study

2.3.1 Auditor Independence on Auditor Performance

A research conducted by Burhanudin (2016) stated that independence could give an effect of the audit quality. It can be seen from the result in this research that shows 79% of auditor independence is giving on to the quality of auditor. So it means that independence has a significant impact on the auditor performance or in the making of audit quality.

According to Prasetya (2019), he stated that the independence of auditor has a significant effect on auditor performance. The performance of auditor can be seen by how the auditor try to keep their honesty in their life while considering the facts and not choose any sides while they try to reveal the result of their opinions.

The result of the study in the research done by Ulfah and Lukiaстuti (2018) showed that the impact of independence approval can increase the performance of auditor. In their research, they proved that by having independence in the auditor the judgment of audit will be based on fact data that has been investigated in the field. Thus, the result will have no fraud.

2.3.2 Auditor Experience on Auditor Performance

According to Lehmann and Norman (2006) in Winarna and Mabruri (2015), they found that the expertise auditor will be more clear and detail in giving final judgment in

audit. This means that an auditor with higher experience will be produce more good quality than auditors who has less experience. They also stated that expertise auditor will be one of the considerations in giving the results.

In the research done by Ardyana (2017), he stated that experience is one of the process of learning and development of potential behavior in formal and non-formal education which give a significant influence to the audit quality. She also stated that the expertise auditor will finish their audit easier because expertise auditors have knowledge to work fast and accurate.

Knowledge is one of the important things that auditor must have because the development of experience is also herding with the knowledge while doing their tasks. Based on that, the research that was done by Wiratama & Budiarta (2015) stated that experience significantly influence in the quality of their performance which also gives impact on the quality of audit.

2.3.3 Auditor Competence on Auditor Performance

In conduction an audit, auditor must have good personal quality, adequate knowledge, and special expertise in their field in order to produce good quality (Pratomo, 2015). Pratomo (2015) in his research also stated that auditor competence is a qualified requirement needed by auditor in implement their work. His hypotheses also approved that auditor competence is giving a significant effect the performance of audit.

According to Lestari and Maryani (2019) competence in auditor is auditor who has enough experience and enough knowledge. Those are needed by an auditor because auditor will understand and knows the problems, and situation in deeply and easily to follow development of the cases which probably will be more complex according to the

environment. They can also have approval in their research from that competent auditor which significantly gives positive giving effect on auditor performance.

2.3.4 Religiosity on Auditor Performance

Religiosity is a personal factor that could affect people or employee performance in doing their job. Usually, it contains many factors like paying zakat, and showing prayers for 5 times a day for Muslim. Besides, or if it is for non-Muslim, how many time do they pray in a week or how often do they come to their religious occasion are the factors of religiosity. According to the research done by Osman-Gani et al. (2012) they stated that religiosity has a significant impact toward employee performance in doing their job, for this research especially in doing audit to have of audit quality.

Purnamasari & Amaliah (2015) showed that religiosity has significant influence on auditor performance, they stated that the more religious the auditor, the lower the auditor intentions to do fraud in performing audit. They will think that if they do not follow what the religion said, they will get sin, and that is the factor that can make them stop and avoid fraud. In this term, fraud prevention can be considered as auditor performance while doing audit on financial statements. The value of religiosity toward fraud prevention significantly influence the fraud prevention or auditor performance.

2.4 Conceptual Framework

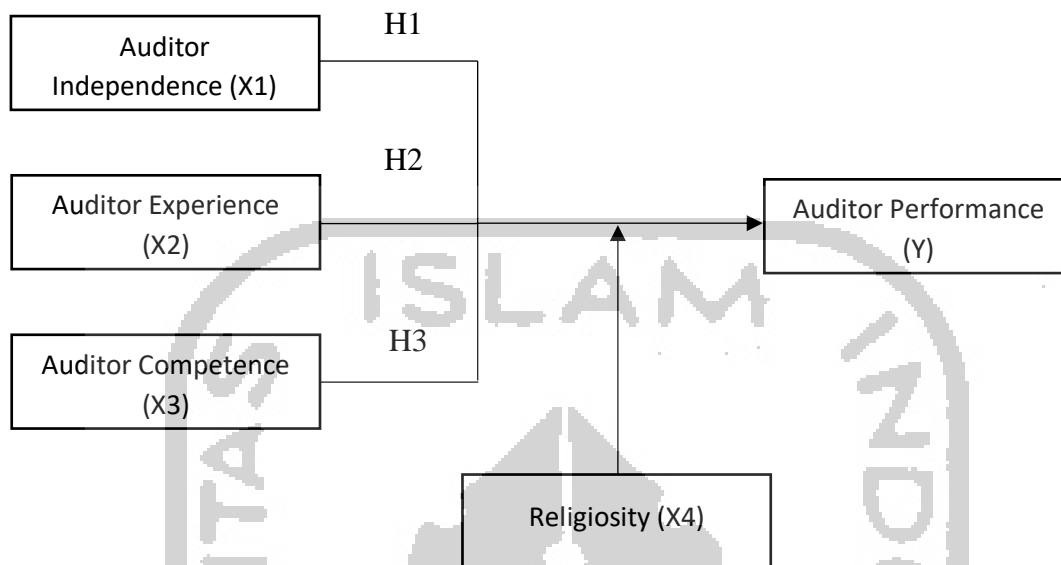


Figure 2.1 Conceptual Framework of Research

2.5 Hypotheses Development

2.5.1 Auditor Independence on Auditor Performance

Auditor independence is an important factor that will give an impact on auditor performance. Auditor with high independence will produce high quality audit. The quality itself can be seen by the result and the progress of an auditor in making report in audit. Auditor independence cannot be influenced by other statements or any situations from the clients. They work with high integrity, and work alone. The research done by Burhanudin (2016) stated that independence is having a positive significant effect to audit quality.

Based on the situational attribution theory, an environment surrounded in auditor could affect individual of auditor's behavior. It refers that independence of the auditor can be influenced by other people or parties or auditor cannot be influenced by other

people because while doing their job, auditor work independently. Therefore, based on the explanation above, the hypothesis can be formulated as follow:

H1: Auditor Independence has positive effect toward Auditor Performance.

2.5.2 Auditor Experience on Auditor Performance

Auditor experience can be seen based on how long a person works as an auditor and how many cases the auditor took and finished. Ardyana (2017) stated that audit experience has a significant influence on the audit quality and become one of factors that will affect auditor performance. This research also stated that the higher experience that auditor has, the better the quality of the audit produced. Wiratama and Budiarta (2015) stated that employee who has high knowledge will have so many advantages while doing their tasks because they will easily to understand the problem, fast in doing investigation, and easy to find error or fraud in financial statement.

Based on the attributions theory that refers to an individual factor behavior caused by the individual itself, experience of an auditor can be increased by how long has he auditor been working and it comes from themselves. Experience can deepen and broaden the ability of the auditor in doing their work. Thus, based on the explanation above, the hypothesis can be formulated as follow:

H2: Auditor Experience has a positive effect toward Auditor Performance.

2.5.3 Auditor Competence on Auditor Performance

Auditor competence is the ability of auditor to finish their task properly and in-line with the audit standard. Pratomo (2015) in his research stated that those ability of competence can be achieved by having good personal quality, adequate knowledge, and

special expertise in their field in order to produce good quality. Therefore, the quality of audit will increase and the performance of auditor can be seen from the auditor's opinion.

According to the dispositional attribution theory that refers to the individual factors that caused by the individual itself, competence of an auditor is important and it has good personal quality, adequate knowledge, and special expertise in their field in order to produce good quality. The more competent the auditor, the better the performance to produce good quality of audit. Thus, based on the explanation above the hypothesis can be formulated as follow:

H3: Auditor Competence has a positive effect toward Auditor Performance.

2.5.4 Auditor Independence on Auditor Performance using Religiosity as moderating variable

Auditor independence is having connection with integrity and objectivity judgment in performing audit. It is one of the factor that each auditor should have. Religiosity in auditor can influence an auditor performance. If an auditor has a high religiosity, an auditor will be afraid to do any mistake and do more carefully while doing audit. An auditor who has high religiosity in his life probably, will not try to help their client from any fraud that the client did. Their judgment will be fair based on real facts. An auditor will think about the consequences from their religion perception such as punishment from them believes. Because of that, religiosity can determinate the auditor to be more independent and have more good performance.

Based on the attribution theory and also the value theory, independence that is affected by religiosity refers to the external factors and how they judge anything based on the perceptual of their religion. It can pursue the auditor to be more independent.

The auditor will be more careful in judging because they know which one is good or bad based on the religion. Therefore, based on the explanation above, the hypothesis can be formulated as follow:

H4: Auditor Independence moderated by Religiosity has a positive significant effect toward Auditor Performance.

2.5.5 Auditor Experience on Auditor Performance using Religiosity as moderating variable

Auditor experience has a positive significant impact on auditor performance. It is based on the research done by Ardyana (2017) which stated that experience has the significant value of experience which is 0.008 of significant values. Religiosity also has a significant effect toward auditor performance. Human naturally always has a religion in their heart and mind. Religion always make people to find an experience to be able to work correctly.

Based on the dispositional value theory and attribution theory that refer to the individual factors caused by the internal of each individual auditor and how they judge things or any kind of actions that has been taught by each religion, auditor has a tendency to increase their experience in work because religion always brought us to always find new experience and learn from the mistakes that have ever been done. Thus, that the auditor will understand more about the past mistakes and know how to overcome it. Because religiosity is connected to experience and employee performance, the hypothesis can be formulated as follow:

H5: Auditor Experience moderated by Religiosity has a positive effect toward Auditor Performance.

2.5.6 Auditor Competence on Auditor Performance using Religiosity as moderating variable

Auditor competence according to Ulfah and Lukiastuti (2018) is auditor who has skill in accuracy in judgement and high expertise in their business. They also stated that high education will also has wide view in their knowledge in their fields. Thus they will know about any problems more deeply. Besides that, with the high competence and extensive knowledge, an auditor will easily follow the development of audits which is more complex. Religiosity always teach people to always gain knowledge as much as possible. It means that religiosity can support auditor competency in determining auditor performance. By having high education, learning and also understanding the development of situation is the same with gaining knowledge that is taught by religion.

According to the dispositional value theory and attribution theory that refers to the individual factor caused by the internal factors of the individual itself and how to value thing based on their religion, competence is an important thing to have as an auditor, because the more competent the auditor, the better the performance and audit quality. Religion also taught everyone to always gain information and knowledge. It is because by gaining knowledge and learning the development of situation, an auditor will know what they should doing in do their job. They also would be able to do the work correctly as what the standard. Therefore, based on the explanation above, the hypothesis can be formulated as follow:

H6: Auditor Competence moderated by Religiosity has a positive effect toward Auditor Performance.