

The Influence of Audit Experience and Gender on Audit Judgment

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Abstract: Audit judgment is a consideration of perceptions in responding to financial statement information obtained, added by factors from within an auditor. This study aims to analyze the influence of audit experience and gender on audit judgment. The population in this study were all auditors working in Semarang City Public Accounting Firm (KAP). The sample in this study was taken by convenience sampling method. From the population of 17 KAP, 10 KAPs were chosen as the study sample. The collected data was analyzed using regression and Multiple Regression Analysis. The results of this study indicate that audit experience and gender have a positive effect on audit judgment. Experience has a role in determining judgment for an auditor. The results of this study also indicate that audit judgments made by female auditors tend to be better than male auditors.

1 INTRODUCTION

Nowadays, the need for auditor services as an independent party cannot be denied, because these services are a necessity for users of financial statements to make a decision. Auditing work conducted by public accountants is not only for the benefit of their clients but also for other parties who use the audit report. In this case the auditor must have sufficient competence in order to maintain the trust of the clients and the users of the financial statements (Reheul et al., 2013).

One of the big cases involving fraud has been experienced by Price Waterhouse Coopers (PwC) in India in 2009. A big case hit the audit profession, "Satyam" which is the fourth largest outsourcing information technology company in India. It has 50 thousand employees spread across various IT development centers in Asian countries. In March 2008, Satyam reported a revenue increase of 46.3 percent to 2.1 billion US dollars. In October 2008, Satyam said that its revenue would increase by 19-21 percent to 2.55-2.59 billion dollars in March 2009. Ironically, on January 7, 2009, Ramalinga Raju suddenly said that around 1.04 billion dollars of Satyam's cash and bank balances were fake (that amount was equivalent to 94% of Satyam's bank cash value at the end of September 2008). In his letter sent to Satyam's board of directors, Ramalinga Raju also

admitted that he falsified the value of interest income received in advance, recorded liabilities lower than it should and inflated the value of receivables. On January 14, 2009, Satyam's auditor for the past 8 years - Price Waterhouse India announced that the audit report was potentially inaccurate and unreliable because it was based on information obtained from Satyam's management (Brown et al., 2014).

With regard to the scope of testing, determination of sample size and which items to test, judgment made by the auditor would have a great influence. The auditor's consideration in this case covers materiality, risk, costs, benefits, size and characteristics of the population. Therefore, if the auditor is not careful in determining their judgment, an error in the opinion statement can occur. Many factors can influence auditor judgment, including audit experience and gender (Ittonen et al., 2013).

Based on the previous explanation, the author was motivated to carry out this study with reasons (1) the adoption of International Standards on Auditing (ISA) in financial report audits beginning on or after January 2013. This adoption is intended to increase global investor confidence in the quality of financial information in Indonesia, (2) the issued of No.5 Public Accountants Law 2011 which makes auditors more careful in making judgments, (3) the implementation of Minister of Finance Regulation (PMK) Number 25 / PMK.01 / 2014 concerning

Country Registered Accountants. This regulation will become a new foundation for the accounting profession in building more reliable and capable professional quality, to compete in the global arena. These regulations include the mechanism of re-registration, fostering Indonesian professional accountants, professional accounting education and professional accountant certification examinations, as well as the mechanism of the founders of the accounting services office (KJA). (5) Various previous studies on audit experience such as the study conducted by Sofiani (2015) which stated that the audit experience variable provides a parameter coefficient value of 0.004 with a significance level of 0,000, this indicates the influence of audit experience on audit judgment but the coefficient between the two variables had a very weak relationship which was 0.004. The similar result reported by Praditaningrum and Januarti (2012) that audit experience variable gave parameter coefficient value of 0.075 with a significance level of 0.018. (6) previous research on client preferences such as the results of study by Arum (2008) that client preference variable provided a parameter coefficient of 0.290 with a significance level of 0.001, indicating that the coefficient between the two variables had a fairly weak relationship. Previous research on audit judgment also shows inconsistent results and the coefficient between variables is still not strong, therefore author added the client credibility variable as a moderating variable in order to strengthen the correlation coefficient between variables.

2 THEORETICAL FRAMEWORK

a. Cognitive Theory (Piaget)

Cognitive theory views learning as a process that provides functions of elements of cognition, especially the mind to recognize and understand the stimulus that can be obtained from the outside. Cognitive theory explains that changes in perceptions and understanding of each person occur after having experience and knowledge in them. Based on cognitive theory, a person's learning process covers the stimulus settings received and adapts to the cognitive structure that has been owned and formed in a person's mind based on previous understanding and experience. There are three main principles of learning for humans, namely: active learning, learning from social interactions and learning from their own experience (Piaget, 1970). The application of cognitive theory can be used to examine how the auditor does a consideration based on their experience and expertise in carrying out audit tasks.

b. Hypothesis Development

Cognitive theory says that there are three main principles of learning for humans, one of which is learning through one's own experience. The application of cognitive theory can be used to examine how the auditor does a consideration based on their experience and expertise in carrying out audit tasks. Every time the auditor conducts an audit, the auditor will learn from previous experience, understand and increase accuracy in carrying out the audit. The auditor will integrate his audit experience with the knowledge they already have. The process of understanding and learning is the process of increasing auditor expertise, such as increasing audit compliance and increasing the auditor's ability to make judgment audits.

H₁ : Audit Experience Influences Audit Judgment

Judgment made by an auditor can differ between men and women given the psychological differences. Men in general do not use all available information in processing information, therefore decisions taken are less comprehensive. While women in processing information tend to be more thorough and use more complete information. Women have a sharp memory of new information and have higher moral considerations than men (Bobek et al., 2015). This is in accordance with the findings of cognitive psychological and marketing literature that women are more efficient and effective in processing information when facing the complexity of tasks in decision making.

H₂ : Gender Influences Audit Judgment

3 RESEARCH METHOD

The type of research in this study is quantitative research to test the hypothesis. The population in this study were all auditors working in Semarang City Public Accounting Firm (KAP). Authors determined the sample size taken using the convenience sampling method. From the population of 17 KAP, 10 KAPs were chosen as the research sample. Respondents in this study were 51 auditors in KAP in Semarang City.

Before being used for data retrieval, the instrument is first tested for validity and reliability. The data analysis technique used is descriptive analysis and inferential analysis consisting of classic assumption tests (normality, multicollinearity, and

heterocedasticity. Hypothesis is tested using t test with multiple regressions). Table 1 shows the variable measurement used in this study.

Table 1: Variable Measurement

Variable	Dimension	Indicator	Measurement Scale
Audit Experience (X1)	The extend of the auditor's work in the audit field and the number of audit assignments that have been handled (Cahn and Sun, 2015)	1. The extend of work as an auditor 2. The number of assignments that have been handled 3. The ability to detect any errors in the audit	Interval
Gender (X2)	Distinction in terms of roles, behaviour, mentality and emotional characteristics between men and women.	Men = 0 Women = 1	Variable Dummy
Audit Judgment (Y)	Formation of an idea, opinion or estimation of an object, and other events (Griffith et al., 2015) - Conditional Liability	- The urge to express or not the legal case that is being faced by the clients - The urge to recommend clients to disclose these legal cases in their financial statements	Interval
	- Collectability of accounts receivable	- The urge to trust the collection of client accounts receivable - The urge to recommend clients to allocate problematic receivables in the allowance for uncollectible accounts	
	- Determination of materiality level	- The urge to expand the sample of audit evidence for merchandise inventory accounts - The urge to recommend clients to make adjustments to merchandise inventory	
	- Transaction engineering	- The urge to expand testing on transaction engineering indications - The urge to recommend clients to make adjustments to the difference in purchasing prices in their financial statements	

Age: 21 – 25 Years	39	76,5%
26 – 30 Years	6	11,8%
31 – 35 Years	4	7,8%
41 – 45 Years	1	2%
46 – 50 Years	1	2%
Last Position :		
Auditor Junior	42	82,4%
Auditor Senior	7	13,7%
Auditor Supervisor	2	3,9%
Education: D3	8	15,7%
S1	40	78,4%
S2	3	5,9%
Work Extend : 3 to 5 years		
6 to 10 years	45	88,2%
< 20 years	5	9,8%
Years	1	2%

4 ANALYSIS AND RESULTS

The research data was collected by sending 80 questionnaires. The numbers of questionnaires returned through the survey were 55 questionnaires, while the unreturned questionnaires were 25 questionnaires. The numbers of incomplete questionnaires were 4 so that 51 can be processed or the rate of return is 63.75%. The sent and return rates are shown in table 2.

Table 2: The Sent and Return Rate

Notes	Number	Percentage
Number of distributed questionnaires	80	100%
Number of unreturned questionnaires	25	31,25%
Number of questionnaires that can't be processed	4	5%
Number of questionnaires that can be processed	51	63,75%

The profile of 51 respondents who participated in this study is shown in table 3.

Table 3: Respondents Profile

	Number	Percentage
Gender : Men	16	31,4%
Women	35	68,6%

Regression analysis was conducted to test the hypothesis by carrying out the t test. The t test in this study was used to determine the direct effect of audit experience variable, and gender on audit judgment.

5 RESULTS

a. Audit Experience Influences Audit Judgment

The hypothesis result is presented in table 4. The H1 test results, namely the influence of the audit experience on audit judgment show a t test equal to 0.043. These results indicate that the significance value was 0.043 < 0.05, then H₀ is rejected and H₁ is accepted. This result means that with a 95% confidence level the audit experience variable has a positive effect on audit judgment. Therefore the first hypothesis that is audit experience influences audit judgment is accepted.

Table 4: Hypothesis Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	29.797	.805		37.019	.000
Audit Experience	.883	.423	.273	2.087	.043
Gender	1.224	.360	.378	3.404	.001

The auditor's experience has a role in determining judgment as the basis for expressing decent and appropriate opinions given to the circumstances of the audited financial statements. For auditors who lack audit experience, usually they tend to experience difficulties in determining judgment, so the opinions given are less precise. The results of testing the first hypothesis indicate that the auditor's experience influences audit judgment. This influence shows a positive direction which means that the more experience the auditor has, the better judgment given by the auditor. This shows that for auditors who have a lot of experience, both the extend of work in conducting audit checks and the number of assignments that have been done in the audit field will have no difficulty in giving judgment precisely to clients.

This finding is in line with the study conducted by Cahan and Sun (2015) which explained that auditor experience is one of the factors that greatly influences consideration in making audit judgment. For practitioners it is expected to be a trigger of enthusiasm to continue to improve their experience so that the resulting work becomes better. For the general public, the increased audit judgment quality is expected to increase public confidence in the profession of auditors. Aldamen et al. (2018) stated that audit experience plays an important role in processing information and producing audit considerations. The amount of experience in the audit field can help auditors to understand and solve problems that tend to have the same pattern. As explained in Piaget's theory, the auditor can learn from their own experience. Every time the auditor conducts an audit, the auditor will learn from previous audit experience and increase accuracy in conducting audits. Therefore the judgment taken by the auditor will be more qualified.

However, this study is not in line with the study conducted by Kang et al. (2015) which stated that audit experience has no effect on audit judgment. Therefore the auditor in giving a judgment is not influential because the respondents are generally senior auditors and junior auditors whose duties are as members of an audit team, while those who will provide a consideration are supervisors, managers and partners. Brown-Liburd et al. (2015) stated that other reasons the auditor's experience does not affect judgment because in the auditor's context of her study sample, the number of cases handled did not reflect the auditor's experience, they were only in terms of quantity and not quality, because she did not examine the quality of the assignment, hence she can't present about the auditor's experience.

b. Gender Influences Audit Judgment

H2 test results, namely the influence of the audit experience on audit judgment shows the t test of 0.001. These results indicate that the significance value was $0.001 < 0.05$, then H_0 is rejected and H_1 is accepted. This result means that with a 95% confidence level the gender variable has a positive effect on audit judgment. Therefore the second hypothesis that is gender influences audit judgment is accepted.

Gender is assumed to be one of the individual level factors that also influence audit judgment. Gender is the inherent nature of men and women formed by social and cultural factors in which there are some opinions about the social and cultural roles of women and men. The results of testing this hypothesis indicate that judgment taken by female auditors can be more comprehensive than male. This can be caused by differences in the nature and character of each individual. Female auditors are more sensitive and careful in processing information therefore the judgment taken is more comprehensive. Women are known to be more painstaking and have high moral considerations in carrying out their duties, so the results can be more comprehensive. Female auditors will reevaluate the information they obtain, this allows female auditors to get more and better information to support making an audit judgment.

The results of this study are consistent with the study of Bobek et al. (2015) which stated that gender has a significant effect on audit judgment when interacting with the complexity of the task. This result also supports the research from Hardies et al. (2015) that male and female auditors give significantly different judgment when under pressure of compliance, besides that women have higher moral considerations than men, so that audit judgments made by female auditors tend to be better than male auditors.

But the results of this study are not in line with the research of Gul et al. (2013) which said that gender does not significantly influence the judgment of auditors who are under pressure. Brown-Liburd et al. (2015) indicate that there was no difference in auditor performance seen from gender differences between men and women when viewed from equality of organizational commitment, professional commitment, motivation and employment opportunities, except for job satisfaction which showed a difference between the performance of male and female auditors.

6 CONCLUSIONS

The results of this study indicate that audit experience has a positive effect on audit judgment. Gender also has a positive effect on audit judgment. However, this study has several limitations, including: First, this research was only conducted on auditors working in the city of Semarang with a small sample so that the results may not be able to generalize the behavior of the entire auditor. Second, this research was only carried out by survey methods so that data processing was only based on the answers to the respondents' questionnaires without any control from the researchers. For further research, it is expected to consider other variables to be used as moderating variables, such as the complexity of tasks and audit fees. This is interesting to be studied in order to find out whether the auditor can still maintain its independence when under pressure.

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