check for updates

The Effect of Experience and Professionalism on Auditor's Performance in Jakarta and Surabaya Accounting Firms during Pandemic the COVID – 19

Hadi Nurhadi[1][✉]
Basyiruddin Nur[2]
Yeni Elfiza Abbas[3]
Budi Andru[4]

[1,2,3,4]*Swadaya Collage of Economics, Jakarta, Indonesia.*
[1]*Email:* hnhadi274@gmail.com
[2]*Email:* nurbasyiruddin@gmail.com
[3]*Email:* abbasyeni603@gmail.com
[4]*Email:* budiandru@uhamka.ac.id

Abstract

The purpose of this study was to determine the experience and professionalism of an auditor's performance. The population of this research is Public Accounting Firms throughout Jakarta and Surabaya. The method in this research is quantitative with a primary data type. The sample used was 9 Public Accounting Firms with 170 auditors as respondents. The sampling technique is an analysis of the outer model (measurement model) and inner model (structural model) using the Multivariate Structural Equation Model (SEM) SmartPLS 3. The results of this study indicate that the experience of auditors influences their performance instead of professionalism. Simultaneously, the value of $R - Square$ $(R2)$ is 0.96 or 96%, which means that the auditor's performance is influenced by the experience of the auditor and the professionalism of the auditor is 96%.

1. Preliminary

1.1. Background

Public Accounting Firm (PAF) is a business that provides compliance review, operational review, and financial review services for individuals, civil partnerships, firms, and other types of foreign or local public accounting organizations. The development of the public accounting profession has been known to the public as a review service provided to users of financial information. An auditor must be guided by the review standards set at the Indonesian Institute of Certified Public Accountants (IICPA), including general, fieldwork, and reporting standards. Additionally, there are further standards an auditor must follow to collect information successfully and prepare an overall report on the audited financial statements.

The Covid-19 pandemic has shifted how auditors perform their role. As the virus spreads between people close to one another, the government has implemented large-scale social restrictions to prevent further transmission. Due to this, businesses have encouraged their employees to work from home. This condition has affected the performance of accountants and auditors in the areas of punctuality, experience, efficiency, and productivity. For this reason, auditing processes such as client meetings have been affected during the pandemic. As a result, a business's reliance on technology has also increased.

Budiandru (2021) Public accountants (PA) must follow a professional code of ethics to carry out their responsibilities. This code of ethics outlines an auditor's duties concerning confidentiality, competence, responsibility, integrity, independence, and public interest. A Public Accountant assigned to a Public Accounting Firm must acquire a license to audit financial statements and provide accounting, assurance, finance, and management services.

Public Accounting Firms (PAF) with a good reputation do not guarantee auditor quality. The decline in audit performance can negatively affect one's ability to audit financial statements for clients and provide opinions with sufficient evidence. Hence, increasing the risk of breaches under the code of ethics. Nath, Othman, and Laswad (2019) Audit performance play a significant role in examining a company's financial statements. An auditor's performance is often measured by the quality and quantity of their work. Quality of work relates to an auditor's accuracy in performing tasks, while quality is the speed in which their work is completed.

Budiandru (2021) states that audit quality is how likely the auditor finds intentional or unintentional errors from the company's financial statements that are reported and included in the audit opinion. Auditor quality is determined by work experience and career length. Gyer, Delamat, and Ubaidillah (2018) Audit experience is an auditor's length of time reviewing financial statements and the total of assignment they have handled. Generally, increased audit experience has a positive effect on audit performance. Research conducted by Setiawan (2022) supports these findings. However, Listiana (2018) shows different results in their research and suggests audit experience does not influence audit experience.

Istiariani (2018) used a convenience sampling method for the study in the journal article "The Effect of Independence, Professionalism and Competence on the Performance Auditor of the Financial and Development Supervisory Agency (Case Study on Central Java BPKP Auditors." The data analysis used is SEM - Partial Least Square, a multivariate analysis, was used to analyze several variables simultaneously. The sample in this study was 100 internal government auditors employed by the Financial and Development Supervisory Agency Republic of Indonesia Representatives of the Central Java Region. This study's results indicate that partial auditor independence positively influences audit performance. Additionally, audit professionalism and competence increased audit performance.

In theory, if the professionalism of the auditor increases, audit performance improves. In addition, a person can make decisions without pressure from other parties, can exchange ideas, and always assume that the most authorized to assess his work is a fellow professional so that with good professionalism, the ability to consider the level of materiality of financial statements is more appropriate.

The audit phenomena during the COVID-19 pandemic are as follows:
1. The travel restrictions are not optimal for obtaining sufficient and appropriate audit results.
2. The tendency for material misstatement, whether caused by error or fraud, is more likely to occur during economic disturbances.
3. The increasing the risk of material misstatement in management's assertions in the financial statements.
4. Global economic uncertainty may present challenges to auditors' judgement.

This study explores audit experience, professionalism, and performance in the Capital Special Region of Jakarta and Surabaya during the COVID-19 pandemic.

2. Study of Theory and Framework of Thinking
2.1. Agency Theory
Jensen and Dan (1976) define agency theory as the principle in which a person (the principal) is involved in an agent's decision-making.

Izzati et al. (2021) In agency theory, the third party with an independent attitude must act as a mediator between the principal and agent. The role of a third party is to monitor the agent's behavior and ensure they work in the principal's best interest. The party responsible for the principal's interest from the agent to the principal is the auditor. The principal receives an opinion on the fairness of the financial statements from the auditor, whose reliability is ascertained by audit performance.

The audit report provides an early warning about the company's financial condition for the principal. Investors see company data as more credible if the financial statements that reflect the company's performance are provided with a fair statement from the auditors. This process ensures financial statements are free from material misstatements and that the company makes the right decisions.

Auditing is carried out by competent and independent individuals. A competent and independent auditor must have a professional attitude in carrying out the audit. Audit professionalism refers to an auditor's

professional ability and behavior. Ability is defined as knowledge, experience, adaptability, technical ability, and ability to master technology, and enable the auditor's professional behavior.

Edwy, Hasan, and Kamaliah (2019) audit performance is the result of work that has been achieved by the auditor in carrying out their duties in accordance with the responsibilities that have been given to him and becomes the benchmark used to determine whether the work will be done well or otherwise.

Tumundo, Kep, Compliance, Kode, and Dan (2019) audit experience is the experience obtained in examining financial statements, both from the number of tasks performed or the length of time spent as an auditor.

Sangadah (2022) Audit professionalism is responsible for taking actions that are more than just fulfilling one's responsibilities as well as the provisions of the laws and regulations of society, public accountants as professionals recognize the existence of a responsibility to the community, clients and partners.

3. Research Methods

Based on Figure 1, this research method is quantitative and the type of primary data was collected by questionnaires. The sampling technique used is purposive sampling. The sampling technique is an analysis of the outer model (measurement model) and analysis of the inner model (structural model) using the Structural Equation Model (SEM) technique. The population in this study is Public Accounting Firms throughout Jakarta and Surabaya as many as 9 Public Accounting Firms with a total of 212 auditors and 170 auditors who are willing to fill out the questionnaire.
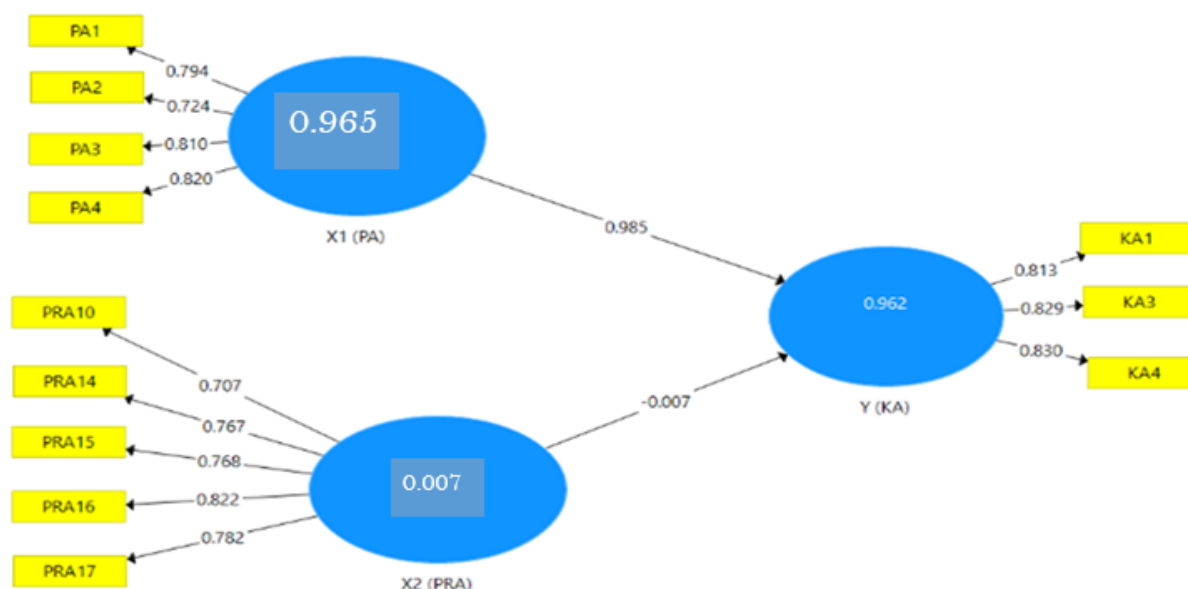

Figure 1. Measurement model / outer model.

Table 1. Loading factor.

Variables	X¹ (Experience)	X² (Professionalism)	Y (Audit Performance)
AP1			0.813
AP3			0.829
AP4			0.830
E1	0.794		
E2	0.724		
E3	0.810		
E4	0.820		
P10		0.707	
P14		0.767	
P15		0.768	
P16		0.822	
P17		0.782	

5. Results and Discussion

The measurement model on the convergent validity of the reflexive indicators is assessed based on the relationship between the item score/component score and the construct score calculated by Structural

Equation Modelling (SEM). For individual reflexive measures, it can be said to be high if it is correlated > 0.70 with the construct to be measured. However, for research in the early stages of developing a measurement scale, a loading factor value of $0.50 - 0.60$ is considered sufficient.

Table 2. Average variance extracted.

Variables	Cronbach Alpha	Rho_A	Composite	Average Variance Extracted (AVE)
Y (AP)	0.763	0.764	0.864	0.679
X_1 (E)	0.798	0.809	0.867	0.621
X_2 (P)	0.793	0.792	0.866	0.617

Table 3. Fornell-Larcker criterion (FLC).

Variables	X_1 (E)	X_2 (P)	Y (AP)
X_1 (E)	0.788	0	0
X_2 (P)	0.564	0.786	0
Y (AP)	0.981	0.552	0.824

Table 4. Cross loading.

Variables	X^1 (Experience)	X^2 (Professionalism)	Y (Audit Performance)
AP1	0.794	0.471	0.813
AP3	0.810	0.434	0.829
AP4	0.820	0.459	0.830
E1	0.794	0.471	0.813
E2	0.724	0.413	0.576
E3	0.810	0.434	0.829
E4	0.820	0.459	0.830
P10	0.438	0.751	0.462
P14	0.472	0.763	0.439
P16	0.448	0.811	0.417
P17	0.407	0.815	0.407

Based on Table 1 this study has a loading factor value > 0.70 so it can be declared valid. The first indicator in the auditor's experience there are 4 indicators, namely E1 showing results of 0.794, E2 of 0.724, E3 showing results of 0.810 and E4 of 0.820. The second indicator of audit professionalism has 5 indicators, namely P10 with a result of 0.707, P14 with a result of 0.767, P15 with a result of 0.768, P16 with a result of 0.822, P17 with a result of 0.782. The third indicator of audit performance has 3 indicators, namely AP1 of 0.813, AP2 with a result of 0.829, AP3 with a result of 0.830.

Based on Table 2, the Average Variance Extracted (AVE) value of audit performance variable, audit experience, and audit professionalism is > 0.50, which means that each variable has good discriminant validity. In testing discriminant validity, the commonly used approach is the Fornell-Larcker Criterion (FLC) and Cross Loadings, which are indicators of latent constructs that are expected to be greater than the values of cross loadings on other latent constructs.

Based on Table 3, The Fornell-Larcker Criterion (FLC) value on the auditor's experience variable has the highest FLC value in the latent construct itself, which is 0.788 compared to the FLC value in other constructs of 0.564 and 0.981. The value of the highest latent construct of FLC on the audit professionalism variable is 0.786, and the value of other constructs is 0.552. the auditor's performance variable has the highest latent construct FLC value of 0.824.

Table 4 shows that the value of the relationship between the variable and its indicators is higher than the value of the relationship with other variables. Therefore, all latent variables have good discriminant validity, or indicators in the indicator block of these variables are better than indicators in other blocks.
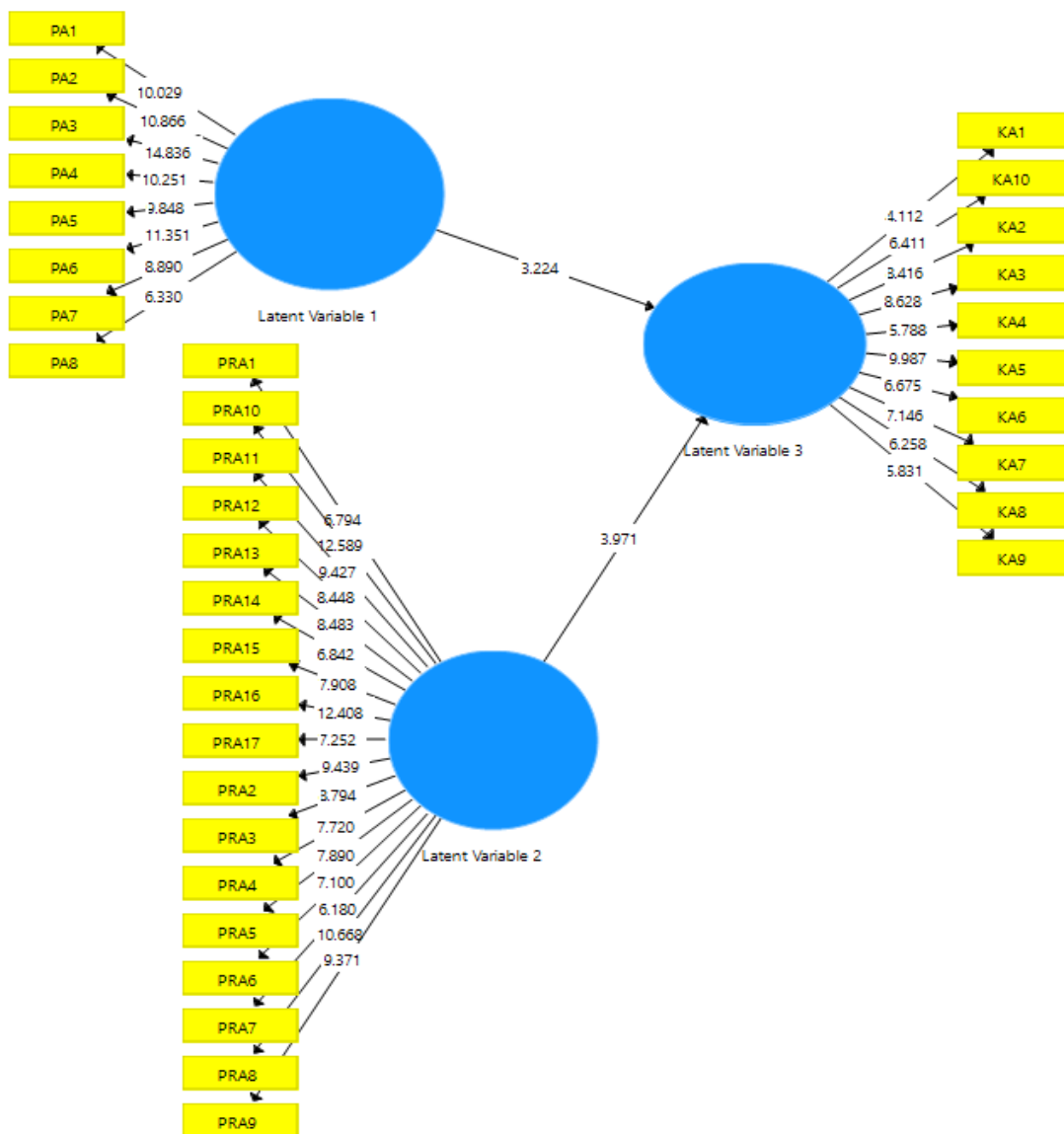
Figure 2. Illustrate Structural model / inner model.

Structural model testing aims to see the R-Square value for each endogenous latent variable to be the predictive power of the structural model.

Table 5. Path coefficient.

Variables	X_1 (E)	X_2 (P)	Y (AP)
X_1 (E)	0	0	0.982
X_2 (P)	0	0	-0.002
Y (AP)	0	0	0

Based on Table 5, the Audit experience variable (X1) on the audit performance variable (Y) has a path coefficient value of 0.982, which means that audit experience has a positive influence on audit performance. The audit professionalism variable (X2) has a path coefficient value of -0.002 on audit performance (Y), which means that audit professionalism has a negative influence on audit performance.

Table 6. Reliability test results.

Variables	Crobach's Alpha	Critical Value	Information
Audit Experience (X_1)	0.798	0.700	Reliable
Audit Professionalism (X_2)	0.793	0.700	Reliable
Audit Performance (Y)	0.763	0.700	Reliable

Based on Table 6, the results of Cronbach's alpha reliability of the auditor's experience instrument are 0.798, audit professionalism is 0.793, and audit performance is 0.763. Of the three instruments that have Cronbach's alpha value > 0.7, namely audit experience, audit professionalism, and audit performance.

Table 7. Composite reliability results.

Variables	Cronbach Alpha	Rho_A	Composite	Average Variance Extracted (AVE)
X_1 (E)	0.798	0.809	0.867	0.621
X_2 (P)	0.793	0.792	0.866	0.617
Y (AP)	0.763	0.764	0.864	0.679

Based on Table 7, Nilai *Composite Reliability* (CR) on each variable is above 0.70. The audit experience variable has a CR value of 0.867, audit professionalism has a CR value of 0.866, and audit performance has a CR value of 0.864. With the values generated in the Composite Reliability test research, all variables have good reliability and are in accordance with the predetermined minimum value limits.

Table 8. Results of Cronbach Alpha.

Variables	Cronbach Alpha	Rho_A	Composite	Average Variance Extracted (AVE)
X_1 (E)	0.798	0.809	0.867	0.621
X_2 (P)	0.793	0.792	0.866	0.617
Y (AP)	0.763	0.764	0.864	0.679

Based on Table 8, the results show that the Cronbach Alpha (CA) value for the audit experience variable has a CA value of 0.798 > 0.70, the audit professionalism variable has a CA value of 0.793 > 0.70 and the audit performance variable has a CA value of 0.763. > 0.70 so that these three variables have a high level of reliability.

Hypothesis testing in this study has a value of T-Statistics and P-Values. The hypothesis in this study is accepted if the P-Values <0.05. T test value - Statistics to determine the effect of the variable X on Y partially. The following is the T-Statistics test in this study as follows:

Table 9. T-Test – statistics / bootstrapping.

Variables	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
X_1 (E)	0.975	0.976	0.015	65.262	0.000
X_2 (P)	0.011	0.012	0.027	0.414	0.679

Based on Table 9, the audit experience variable (X1) has a P-Value value of 0.000. Audit professionalism (X2) has a P-Value value of 0.679. Therefore, the audit experience variable has an influence on audit performance . Whereas the audit professionalism variable does not influence the performance of auditors.

Table 10. R – Square/ R^2.

Variables	R Square	R Square Average
Y (PA)	0.962	0.961

Based on Table 10, an R – Square (R2) value of 0.962 or (96%) has been obtained. This shows that the percentage of the auditor's performance variable is 96%; in other words, this variable can be influenced by the experience and professionalism of the auditor, while the remaining 4% can be influenced by other variables not examined in this study. The value of Q - Square in this study is used to determine the goodness of the model, namely, the increasing the value of Q - Square, the more suitable the structural model (fit) with the data. The Q – Square test in this study is as follows:

Table 11. Construct cross validated redundancy Q – Square.

Variables	SSO	SSE	Q² (=1 SSE/SSO)
X_1 (E)	400.000	400.000	0
X_2 (P)	300.000	300.000	0
Y (AP)	300.000	108.025	0.640

Based on Table 11 , the value of Q - Square on the endogenous variable is 0.64, meaning that the data diversity described in this research model is 64%. In contrast, the remaining percentage of 36% is explained by other variables that are outside the research model. Therefore, this research model is declared to have met the requirements of goodness (model fit).

5. Discussion of Hypothesis Testing Results

Based on Table 12, there is variable 1 with the results of the hypothesis being accepted and variable 2 with the results of the hypothesis being not accepted. This shows that hypothesis 1 has a significant effect on variable Y and Hypothesis 2 does not have a significant effect on variable Y. The following is an analysis related to the influence between variables under the proposed hypothesis:

Table 12. Conclusion of hypothesis testing between variables.

Hypothesis	T - Statistics	P – Values	Results
H_1	65. 262	0.000	Received
H_2	0.414	0.679	Rejected

5.1. The Effect of Audit Experience on Audit Performance

Based on the results of hypothesis testing, the T - Statistics value is 65.262, and the P-Value is 0.000 < 0.05. The following values suggest that the audit experience positively affects audit performance. Hence, an auditor's experience can improve their performance at Public Accounting Firms throughout DKI Jakarta and Surabaya.

5.2. The Effect of Audit Professionalism on Audit Performance

Based on the results of hypothesis testing, it is known that the T – Statistics value is 0.414, and the P – Values that form the effect of audit professionalism and performance is 0.679 > 0.05. Hence, it can be stated that audit professionalism has no effect on audit performance. This shows that the professionalism of auditors cannot improve audit performance at Public Accounting Firms throughout DKI Jakarta and Surabaya. The results of this study indicate that the higher the professionalism of the auditors at Public Accounting Firms throughout DKI Jakarta and Surabaya, the higher the auditor's performance.

6. Conclusion

Based on the statistical T-Test hypothesis testing (Bootstrapping), audit experience has a positive effect on audit performance. In contrast, audit professionalism has no effect on audit performance at Public Accounting Firms throughout DKI Jakarta and Surabaya. The following variables can be influenced by the auditor's experience and the auditor's professionalism by 96%.

References

Budiandru, B. (2021). Factors affecting the audit quality of pandemic era public accountants. *Accountable, 18*(2), 284-294.

Edwy, F. M., Hasan, A., & Kamaliah, K. (2019). The influence of independence, motivation, organizational commitment, experience, and leadership style on the performance of the auditors of the financial supervisory agency. *Economics and Business, 11*(3), 16–29.

Gyer, S. D., Delamat, H., & Ubaidillah, U. (2018). The effect of auditor independence, auditor work experience, audit complexity, time budgetpressure, and due professionalcare on audit quality (Case Study at a Public Accounting Firm in Palembang). *Accountability: Journal of Accounting Research and Development, 12*(1), 29–40.Available at: https://doi.org/10.29259/ja.v12i1.9306.

Istiariani, I. (2018). The influence of independence, professionalism, and competence on the performance of BPKP auditors (Case Study on Central Java BPKP Auditors). *Islamic Journal, 19*(1), 63–88.

Izzati, N., Ernitawati, Y., Pangestu, D., Muhadi, U., Setiabudi, U. M., & Indonesian, B. (2021). LQ45 indexed company financial performance: Institutional ownership and audit committee activities financial performance indexed company LQ45: Ownership institutional. *Jambi Accounting Review, 2*(1), 67–83.

Jensen, M. C., & Dan, W. H. M. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.

Listiana, H. J. (2018). Effect of personal characteristics, ethics, and audit experience on Auditor performance. *Journal of Accounting Science and Research, 7*(5), 1-17.

Nath, N., Othman, R., & Laswad, F. (2019). External performance audit in New Zealand public health: A legitimacy perspective. *Qualitative Research in Accounting & Management, 17*(2), 145-175.Available at: https://doi.org/10.1108/qram-11-2017-0110.

Sangadah, L. (2022). The effect of auditor accountability, auditor independence, and auditor professionalism on audit quality. *Owner: Research and Accounting Journal, 6*(2), 1137-1143.

Setiawan, A. H. (2022). The effect of auditor experience, professional ethics and self efficacy on auditor performance (Empirical Study at Padang and Pekanbaru Public Accounting Firms). *20*(1), 2–3.

Tumundo, M., Kep, J. J. S. P., Compliance, P., Kode, P., & Dan, K. (2019). The effect of compliance on the code of ethics, competence and audit experience on auditor performance at the regional inspectorate of North Sulawesi Province. *EMBA Journal: Journal of Economic Research, Management, Business And Accounting, 7*(4), 4945–4958.