

GENDER, TIME BUDGET PRESSURE AND AUDIT QUALITY REDUCTION BEHAVIORS

Adanan Silaban
Meilinda Stefani Harefa

ABSTRACT

Time budget pressure (TBP) is the problem encountered by auditors in the conduct of audit program, and it is related to audit quality reduction behaviors (AQRB). This research extent the previous researches by examining the effect of gender on TBP and AQRB, and (2) the effect of TBP on AQRB. It is conducted by employing survey method to the auditors working at audit firms in Medan. There were 103 auditors consisting of 49 female and 54 male auditors participating as the research respondents. The t test mean difference and simple regression methods assisted by SPSS program were used as the method to examine the hypothesis. The results showed that; (1) the female auditors had perceived TBP at higher level than the male auditors, (2) male auditors tended to have AQRB compared to the female auditors, and (3) TBP had a positive and significant effect on AQRB, yet it was not significant to the female auditors. These results provide knowledge about the effect of gender on TBP and AQRB in the conduct of audit program, and they practically can be used to reduce AQRB via the policy of auditor recruitment, quality control system, socialization of professional value and goal by audit firms.

Keywords: Gender, Time Budget Pressure, and Audit Quality Reduction Behaviors

INTRODUCTION

The objective of general audit on financial statement is to state an opinion about the fairness of financial statement. The main factor which influences audit quality is auditor's behavior in implementing audit program. The previous research revealed that there was a threat on the decrease in audit quality due to auditors' dysfunctional behavior in implementing audit program (Pierce and Sweeney, 2004; Silaban, 2013). Auditors' dysfunctional behavior which directly influences the decrease in audit quality is called a audit quality reduction behaviors (Malone and Robert, 1996; Otley and Pierce, 1996).

Audit quality reduction behaviors (AQRB) is an action done by an auditor in implementing audit program, but he intentionally does not do it according to the organized program (Malone and Robert, 1996). This behavior decreases audit quality directly because the audit evidence will be inadequate and incompetent (Herrbach, 2001); it causes a problem which can decrease an auditor's credibility and will eventually have an impact on the sustainability of an auditor's professionalism as one of the cornerstone in holding up good corporate governance.

The result of the previous research documented that TBP was the main factor which motivated an auditor to do AQRB (Alderman and Deitrick, 1982; Kelley and Margheim, 1990; Pierce and Sweeney, 2004). TBP an constraint of time which comes from time limitation allocated for implementing auditing program (DeZoort and Lord, 1997). An intense competition in auditing market has encouraged audit firms to carry out cost efficiency through tight time budget which causes an auditor to face dilemma in carrying out efficiency or maintaining the quality of auditing implementation (McNair, 1991).

This research extent the previous researches by examining the effect of gender on TBP and AQRB with some reasons as follows. **First**, the number of auditors who worked at audit firms has recently increased, but researches on the effect of gender on TBP and AQRB were rarely done. The literature of organization behavior points out that the level of stress and individual behavior in an organization is also influenced by gender (Trevino, 1986; Kreitner and Kinicki, 2011). The result of this research contributed to the literature by providing empirical evidence about the effect of gender on TBP and AQRB in implementing auditing program. **Secondly**, the result of this research provided the newest empirical evidence about the effect of TBP on AQRB.

Based on the explanation above, the main problem studied in this research was the effect of gender on TBP and AQRB in implementing auditing program. The next part of this article discussed literature study, research hypothesis, and research method. The last part discussed the result of the research, the conclusion, and the implication.

REVIEW ON LITERATURE AND RESEARCH HYPOTHESIS

Time Budget Pressure

The first point of the field work standard requires an auditor to plan and control his work effectively (IAI 2001, SA Section 150.02). Organizing auditing time budget is established in order to meet the standard. Audit time budget is an important element of the operational mechanism and control in audit firms (McNair, 1991; Otley and Pierce, 1996).

Audit time budget is one of the causes of stress (stressors) for an auditor in implementing auditing tasks because auditors' performance evaluation and sustainability in audit firms is related to his capability of getting through with auditing task in time

budget limit (McNair, 1991). Tight time budget can cause an auditor to undergo pressure which influences his behavior in implementing auditing program. Time budget pressure is a constraint which comes from the limited time allocated for implementing auditing program (DeZoort and Lord, 1997).

In a competitive auditing service market today, audit firms is demanded to be able to operate effectively and efficiently. On the one hand, audit firms is demanded to gather adequate and competent evidence in meeting professional standard; on the other hand, audit firms is also demanded to do efficiency through auditing cost control (Arens and Loebbecke, 2002). Since most of auditing cost is driven by audit time, tight audit time budget should be specified by audit firms in order to increase efficiency (McNair, 1991).

Individual perception on stressor and its consequences is influenced by individual differences (Gibson, et. al., 1995). Referring to the literature, auditors' level of pressure caused by time budget can be influenced by their own individual differences such as gender, personality, experience, and position in audit firms and their perception on the importance of auditing task implementation in time budget limit. The result of the previous researches indicated that auditors who worked in audit firms perceived time budget pressure in implementing auditing program (Kelley and Seiler, 1982; Kelley and Margheim, 1990; Willet and Page, 1996; Otley and Pierce, 1996; Pierce and Sweeney, 2004; Silaban, 2013). Nevertheless, the level of time budget pressure perceived by auditors is not always similar.

In responding to time budget pressure, auditors can do functional and dysfunctional actions. Dysfunctional action is done by asking additional time budget, while dysfunctional action is done by doing AQRB and without reporting the real auditing time (under-reporting of time or URT). Empirical evidence about the result of the research showed that auditors sometimes responded to time budget pressure by doing dysfunctional auditing action; namely, by doing AQRB or URT (Otley and Pierce, 1996; Williet and Page, 1966; Coram et. al., 2003; Pierce and Sweeney, 2004).

Audit Quality Reduction Behaviors

As a professional, an auditor is required to use his professional skill conscientiously and accurately in implementing auditing program (IAI, 2001, SA Section 230.01). Conscientious and accurate professional skill demands that auditors implement their professional skepticism; they have to disclose appropriately the audited entity condition according to the evaluation on the evidence they get during the auditing. Before implementing auditing, audit firms is required to organize auditing program in a written form in order to obtain competent and adequate audit evidence.

The existence of AQRB which is also called "irregular auditing practice" (Willet and Page, 1996) in auditing literature is a evidence that the implementation of auditing procedure which is in accordance with auditing program is not always carried out by auditors. AQRB is defined as the actions done by auditors during auditing assignment which reduces the effectiveness of gathered auditing evidence (Malone and Robert, 1996). Therefore, the evidence which is gathered during auditing implementation cannot be relied on; it is erroneous and inadequate, either qualitatively or quantitatively (Herrbach, 2001). This evidence is not competent and adequate as sufficient basis for auditors in detecting errors and disorderliness related to audited financial statement.

Literature documents various actions which can reduce audit quality directly: 1) premature signing of audit step, 2) superficial review of clients' document, 3) using a biased sample, 4) not pursuing questionable items, 5) using clients' explanation as substitute for other evidence, 6) inadequate research of accounting principles, and 7) falsifying actual time spent on the audit (Alderman and Dietrick, 1982; Kelly and Margheim, 1990; Otley and Pierce, 1996; Coram et. al., 2003; Pierce and Sweeney, 2004; Silaban, 2013). All actions mentioned above can also be categorized as unethical behavior in which the actions can cause harmful effect to other people and are not in accordance with rules and moral (Jones, 1991).

Gender

The concept of gender in this research was based on the concept of sex. One of the changes in audit firms today is in the pattern of recruitment, by the increasing proportion of women (Wooton and Spruill, 1994). Women have shown their achievement in higher education, especially in accounting, and thus have greater opportunities in holding their position in audit firms (Ameen, et. al., 1996).

The increasing number of women who work in audit firms should be paid heed. As it is mentioned in the literature on organizational behavior, individual stress and behavior in an organization is influenced by individual differences such as gender (Kreitner and Kinicki, 2011). In this research, the level of stress and the consequences of auditors' behavior caused by time budget pressure in implementing auditing program are probably influenced by gender.

In work environment, including the work in accounting, women have their own nature in having double tasks. It was found that female auditors were vulnerable to and undergo higher stress than that of male auditors (Picolli et. al., 1988). However, there is no empirical evidence concerning the effect of gender on time budget pressure perceived by auditors in implementing auditing program. Referring to the literature, it can be assumed that time budget pressure perceived by female and male auditors in implementing auditing program are different. Based on the explanation above, the hypothesis could be formulated as follows:

H₁ : There was the difference in the level of time budget pressure perceived between female auditors and male auditors.

There were any previous researches which specifically investigated the effect of gender on AQRB; however, some researches on accounting ethical behavior and moral reasoning which were considered relevant could be used as the reference. The result of the

research by Ponemon and Gabhart (1993) revealed that gender did not have any effect on auditors' ethical sensitivity, while the other researches showed differently that in a dilemmatic situation female auditors had higher ethical sensitivity than that of male auditors. Researches on gender in the other areas found that women were more concerned with ethical issues than men (Beltramini et. al., 1984; Jones and Gautschi 1988; Peterson et. al., 1991). Besides that, Sweeney (1995) pointed out that female auditors had higher moral reasoning than that of male auditors. Concerning the action of AQRB was categorized as unethical behavior which was influenced by ethical sensitivity and moral reasoning; it could be assumed that the tendency of auditors to do AQRB in implementing their auditing was influenced by gender auditors. Based on the explanation above, the hypothesis could be formulated as follows:

H₂ : There was the difference in the tendency to do AQRB between female auditors and male auditors.

Time Budget Pressure and Audit Quality Reduction Behavior

Time budget constitutes an important element in the system of quality control and auditing cost efficiency at audit firms (Otley and Pierce, 1996). In consequence, auditors' efficiency, the time used in getting through with auditing tasks, is the vital aspect for auditing association which can yield profit. Tight competition in auditing market has encouraged audit firms to organize time budget tightly (McNair, 1991). Tight time budget can cause auditors to perceived pressure in implementing auditing program. This time budget pressure can also cause auditors to perceived pressure (stress) in implementing auditing program due to the imbalance between the allocated time and the time needed by auditors to get through with their auditing assignment. The result of the previous researches showed that time budget pressure became the main factor which encouraged auditors to do AQRB (McNair, 1991). The research result found out that time budget pressure had a positive effect on AQRB (Otley and Pierce, 1996; Pierce and Sweeney, 2004). Based on the above explanation, the hypothesis of the research is formulated as follow:

H₃ : Time budget pressure had a positive and significant effect on AQRB.

RESEARCH METHOD

Population and Sample

This research was conducted by using survey method to the auditors working at audit firms in Medan. Purposive sampling technique was employed to take the samples, with criteria i.e. the respondents have been involved in auditing for minimum of 2 (two) years (Pierce and Sweeney, 2004). Out of 250 exemplars of the questionnaires sent to 20 audit firms in Medan 115 exemplars were returned and 12 exemplars were not completely filled out. Therefore, there were 103 auditors taken as the respondents in this research; with effective response rate of 41.20%.

Research Instrument

Research instrument is a questionnaire filled out by the respondents. The variables in this research are gender, time budget pressure perceived and AQRB. Gender is classified into female and male. The time budget pressure perceived is the stress felt or experienced by the auditors in carrying out auditing procedures caused by time budget problems. These variables were operated by assessing how often the respondents felt that there were some pressures in performing particular auditing procedure caused by auditing time budget. The instrument to assess this variable consisted of 6 (six) statements using 5 point Likert scale instrument. This instrument was adopted from the previous research and had adequate validity and reliability (Otley and Pierce 1996; Sweeney and Pierce, 2004, and Silaban, 2013).

AQRB is every action done by an auditor during the auditing program that may reduce the effectiveness of the gathered auditing evidence. These variables were operated by assessing the tendency that the auditors would perform AQRB during the auditing program. This instrument consisted of 7 (seven) statements using 5 point likert scale starting from seldom to frequently. It had constructive validity and reliability and was adopted from previous researches. (Otley and Pierce, 1996; Pierce and Sweeney, 2004; Silaban, 2013).

Data Analytical Technique

The validity and reliability of the data were examined. The validity was measured by using the score of Kaiser-Meyer Olkin Measure of Sampling Adequacy (Kaiser's MSA) and factor analysis with a condition i.e. the score of Kaiser's MSA > 0.50, level of significance (p value) < 0.05 and loading factor > 0.40. The reliability was measured by the statistical test of Cronbach Alpha. The data of this research were valid because its Kaiser's score was 0.67 for TBP and 0.57 for AQRB, and all indicators of TBP and AQRB showed loading factor above 0.40. The data were also reliable since the scores of Cronbach Alpha for TBP and AQRB were above 0.70; namely, 0.751 and 0.82 respectively. The first and second hypotheses were examined by T-test, and the third one was tested by estimation using simple regression analytical test.

RESEARCH RESULT

Description of Research Variables

There were 103 auditors consisting of 49 female (47.57%) and 54 male auditors (52.43%) participating as the research respondents. Most of the respondents' education background was undergraduate degree i.e. 89 respondents (86.40%), and only 14 respondents (13.60%) had masters and doctoral degrees. All of the respondents had been working for more than 2 (two) years at audit firms.

Descriptive statistics of the research variables are presented in the following Table 1:

Table 1
Descriptive Statistics of TBP and AQRB
Based on Gender and Total

Description	n	TBP		AQRB	
		Mean	Std. Deviation	Mean	Std. Deviation
Female	49	25.04	2.423	16.88	3.232
Male	54	19.15	2.460	21.37	3.589
Total	103	21.95	3.828	22.23	3.058

Table 1 suggest that the auditors experienced time budget pressure and performed AQRB in the auditing program, yet the level of the pressure and AQRB of female auditors were different from the male ones. Female auditors experienced higher level of TBP than the male auditors i.e. (25.04 > 19.5), and the male auditors tended to perform AQRB more than the female ones (21.37 > 16.88). Hypothesis test was done in order to find out whether this difference was significant or not.

Hypothesis Testing

The results of the t-test between the females' and males' TBP showed that the mean of the time budget pressure perceived the female auditors was higher that the male ones with level of significance 0.000. The empirical evidence supported the first hypothesis stating that there was a difference in the level of the time budget pressure perceived by female and male auditors. The results indicated that the female auditors perceived higher time budget pressure that the male auditors.

The test on the second hypothesis was carried out by using t-test of the AQRB of female and male auditors. The results demonstrated that the male auditors showed more tendencies to perform AQRB compared to the female auditors with level of significance 0.000. These results supported the second hypothesis stating that there was a difference in the level of AQRB between the female and male auditors. The results indicated that the male auditors showed more tendencies to perform AQRB compared to the female auditors in conducting auditing program.

The estimation from the simple regression analytical analysis demonstrated that the regression coefficient of the association between TBP and AQRB was 0.271 with level of significance 0.000. This evidence supported the third hypothesis stating that time budget pressure had positive and significant effect on AQRB. These results indicated that the more time budget pressure perceived by the auditor, the higher their tendency to perform AQRB in doing auditing program.

Research Result Discussion

The research results showed that the female auditors perceived more time budget pressure compared to the male ones. This results consistent with the prior research on stress which states that in working environment, women are more vulnerable and had higher level of stress compared to men (Picolli et. al., 1988). Nevertheless, these results demonstrated that the male auditors had more tendencies to perform AQRB compared to the female auditors. These results indicated that the female auditors used different strategies from the males during the auditing program in dealing with time obstacle. It was demonstrated by the estimation of regression and determination coefficient of the association between TBP and AQRB of the female and male auditors was different as presented in Table 2.

Table 2
Determination and Regression Coefficient, and Level of Significance
The Correlation between TBP and AQRB

Description	Adjusted R Square	Standardized Coefficients	Sig.
Female	.071	.301	.035
Male	.227	.492	.000
Total	.172	.271	.000

Table 2 suggest that the determination coefficient of the female auditors was lower than that of the male auditors (0.071 < 0.227), and so was the regression coefficient (0.301 < 0.492). These results indicated that the male auditors had more tendencies to perform AQRB than the female auditors in dealing with time limitation. Considering that AQRB is unethical behavior, which is influenced by ethical sensitivity and moral reasoning; thus, the results of this research is consistent with the previous research results (Beltramini et al., 1984; Jones and Gautschi 1988; Peterson et al., 1991).

The results of this research confirmed that the previous research results indicating that time budget pressure had positive influence on AQRB (Otley and Pierce, 1996; Pierce and Sweeney, 2004, Silaban, 2013). In this case, the more TBP perceived, the higher the tendency of AQRB, and it applies particularly to the male auditors. Considering the bad effect of AQRB, audit firms needs to build quality culture at audit firms.

CONCLUSION

Although audit firms have policies and prohibit the AQRB in performing audit program, research for the past thirty years shows that this behaviors continue. The previous research document that AQRB occurrence when auditors perceived TBP in performing

audit program. Despite the fact the number of female entering the work force has increased dramatically during this period, such research has not examined whether there are differences in perceived TBP and behavior by gender.

This results found that TBP was a problem encountered by auditors in doing the auditing program, and it was related to AQRB. Specifically the result of this reasearch can drawn conclusion as follow. **First**, female auditors perceived TBP higher than male auditor. Second, male auditors more tendency to act AQRB than female auditors. **Thrid**, overall for whole responden TBP had positive influence on AQRB. This relation not significant for female auditors.

These findings appear to have important implications both for the auditing profession and for future research. For audit firms, there is a need to recognize that audit quality may be increasingly threatened by behaviors which are motivated by the performance evaluation system. Management should clearly communicate that AQRB will not be tolerated and that such behavior will not be rewarded. Focusing on other factors such as the quality of the work and de-emphasizing the importance of the ability to meet budget as part of the evaluation process can accomplish this. The current economic and social environment in which auditors operate seems to present a set of conditions likely to exacerbate this threat. The key importance of time budgets and the use made of budgetary information in the evaluation of performance warrant careful consideration. Firms need to pay particular attention to budget preparation procedures, and be mindful of the need to ensure that budgets are seen as reasonable by auditors.

The findings also have implications for future research effort in this area. This is highlighted by the differences TBP and AQRB by gender, particularly in relation TBP on AQRB. The causes of this cannot be firmly established from this study, but it appears reasonable to suggest that research design issues, cultural and environmental differences, the level of staff surveyed and the time period between the studies may all be contributory factors. This can only be clarified through further research.

This research has some limitation that needs to be considered in interpreting the research results. First, the use of a survey is a limited method of data collection in that it does not facilitate follow-up or probing questions. In addition, cross-sectional analysis does not support conclusions regarding causality. Secondly, the samples were collected purposively, in which the respondents participating in the research were determined by the heaf of audit firms. Thirdly, these results of the research may be different if it was it is generalized for wider scope.

REFERENCES

- Alderman, C.W., and Deitrick, J.W. 1982. "Auditor's Perceptions of Time Budget Pressure and Premature Sign-Offs: A Replication and Extension". **Auditing: A Journal of Practice and Theory**. Vol 1 No.2, pp. 54-58.
- Arens, A., A., and Loebbecke, J. K., 2002. **Auditing and Integrated Approach**, Eight Edition, New Jersey: Prentice-Hall.
- Coram, P., Juliana, Ng, J., and Woodliff, D. 2003. "A Survey of Time Budget Pressure and Reduced Audit Quality Among Australian Auditors", **Australian Accounting Review**, Vol. 13 No. 1, pp. 38-45.
- DeZoort, F. T. 1998. "Time Pressure Research in Auditing: Implications for Practice". **The Auditor's Report**. Vol. 22. No.1. pp. 11-14.
- , and Lord, A. T. 1997. "A Review and Synthesis of Pressure Effects Research In Accounting". **Journal of Accounting Literature**. Vol. 16. pp. 28-65.
- Donnelly, P. D., Quirin J. J., and O'Bryan D. 2003, "Auditor Acceptance of Dysfunctional Audit Behavior: An Explanatory Model Using Auditor's Personal Characteristics", **Behavioral Research In Accounting**, Vol. 15. pp. 87-110.
- Fleming, M.K. 1980. "Budgeting Practices in Large CPA Firms". **The Journal of Accountancy**, May. pp. 55-62.
- Gibson, James L., John M. Ivancevich and James H. Donnelly Jr. 2006. "**Organizations**". Eight Edition. Business Publications.
- Herrbach, O. 2001. "Audit Quality, Auditor Behaviour and the Psychological Contract. **European Accounting Review**. Vol. 10 No. 4. pp. 787-802.
- Ikatan Akuntan Indonesia. 2001. "**Standar Profesional Akuntan Publik**". IAI, Jakarta. Salemba Empat.
- Jones. 1991. "Ethical Decision Making by Individual in Organization: An Issue-Contingent Model". **Academic of Management Review**, Vol. 16, No. 2, pp. 366-395.
- Kelley, T. and Margheim, L. 1990. "The Impact of Time Budget Pressure, Personality and Leadership Variabel on Dysfunctional Behavior". **Auditing: A Journal of Practice and Theory**. Vol 9. No. 2. pp. 21-41.
- , and Seiler, R. E. 1982. "Auditor Stress and Time Budget". **The CPA Journal**, December. pp. 24-34."
- Kreitner, R. and Kinicki. 2011. "**Organizational Behavior**." Ninth Edition. Mc Graw Hill.
- Lightner, S.S., Adams, S, and Lightner, K. 1982. "The Influence of Situational, Ethical and Expentancy Theory Variables on Accountants' Underreporting Behavior". **Auditing: Journal of Practice and Theory**. Vol. 2. pp. 1-12.
- Malone, C.F., and Robert, R. W. 1996. "Factors Associated With the Incidence of Reduced Audit Quality Behavior". **Auditing: A Journal of Practice and Theory**. Vol. 15. No. 2: pp. 49-64.
- Margheim, L., and Pany K. 1986. "Quality Control, Prematur Sign-off and Underreporting of Time: Some Empirical Findings," **Auditing: A Journal of Practice and Theory**, Vol. 5. No. 2. pp. 50-63.
- Maryanti, P, 2005. "Analisis Penerimaan Auditor Atas Dysfunctional Audit Behavior: Pendekatan Karakteristik Individual Auditor (Studi Empiris Pada Kantor Akuntan Publik di Jawa)". **Jurnal Manajemen Akuntansi dan Sistem Informasi**, Vol 5. No. 2. pp. 213-225.
- McNair, C.J. 1991. "Proper Compromises: The Management Control Dilemma in Public Accounting and Its Impact on Auditor Behavior". **Accounting, Organizations and Society**. Vol. 16 No. 7. pp. 635-653.

- Otley, D. T., and Pierce, B. J. 1996. "Audit Time Budget Pressure: Consequence and Antecedents". **Accounting, Auditing and Accountability Journal**. Vol. 9 No. 1. pp. 31-58.
- Pierce, B, and Sweeney, B. 2004, "Cost-Quality Conflict in Audit Firms: An Empirical Investigation". **European Accounting Review**. Vol. 13. No. 1. pp. 415-441.
- Raghunathan, B. 1991. "Premature Signing-Off of Auditor Procedure an Analysis". **Accounting Horizon**. Vol. 5. No. 2. pp. 71-79.
- Shapeero, M., Koh, H.C., and Killough, L.N. 2003. "Underreporting and Premature Sign-off in Public Accounting". **Managerial Auditing Journal**. Vol. 18. No. 6/7. pp. 478-489.
- Silaban, Adanan. 2013. "Hubungan Antara Karakteristik Personal dan Tekanan Anggaran Waktu dengan Perilaku Reduksi Kualitas Audit". **Jurnal Akuntansi**. Vol. 17. pp. 223-236.
- Smith, W. R., Hutton, M. R, and Jordan, C. E. 1996. "Underreporting of Time: Accountants are Doing It More and Enjoying It Less". **The CPA Journal**, Vol. 66. No. 10. pp. 67-70.
- Trevino, L. K., 1986. "Ethical Decision Making in Organizations: A Person Situation Interactionist Model". **Academy of Management Review**. Vol. 11 No. 3. pp. 601-617.
- Willet, C., and Page M. 1996. "A Survey of Time Budget Pressure and Irregular Auditing Practices Among Newly Qualified UK Chartered Accountants", **British Accounting Review**, Vol. 28, pp. 101-120.

Adanan Silaban
Nommensen HKBP University Medan

Meilinda Stefani Harefa
Nommensen HKBP University Medan