

THE INFLUENCE OF TIME BUDGET PRESSURE ON DYSFUNCTIONAL AUDIT BEHAVIOUR

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ABSTRACT

Public accounting profession is required to provide assurance to users that the information reported in the financial statements are reliable. Auditor as professional workers have to use the professional skills carefully and thoroughly in carrying out audit. Auditor have to own knowledge, accounting skills and good personal quality will be reflected in the behaviour of their profession. Behaviour public accountant proficiency is existed to avoid dysfunctional audit. This is related with the time budget preparation, which is time budget is required to determine audit costing and measure the effectiveness of auditors performance. Furthermore, the tight time budget is able to cause auditors felt in the time budget pressure when they are conducting audit program as a result of an imbalance between the available time of audit assignment and time required for completion of audit program. Time budget pressure is one of the pressure that perceived which potentially reduces the performance of auditors in carrying out audit tasks. In principle, the dysfunctional audit behaviour is influenced by several factors one of them is time budget pressure. Time budget pressure able to cause pressure for the auditors in completing the audit assignment and further encourage auditors conduct dysfunctional audit behaviour. If the time budget pressure that perceived the auditor is higher, so that the tendency of auditor to conduct dysfunctional audit behaviour in completing the assignment is increasing. Therefore, the issues examined in this study is whether there is influence of time budget pressure on dysfunctional audit behaviour. This study was conducted on 183 Public Accounting Firm in Indonesia by using descriptive verification research method. The hypothesis are analysed by regression. The result showed that has influence the time budget pressure on dysfunctional audit behaviour.

Keywords : Time Budget, Time budget pressure, Dysfunctional audit behavior

Introduction

The trust users of financial statements to the public accountant is very dependent on quality of audit obtained (Soltani, 2007 : 59). Audit quality in the principle can be achieved if the auditors applying auditing standards, independent, submissive to the law and obey the code ethics profession (Soltani, 2007 :46). According to Cook and Kelley (1991) audit quality is the degree which is auditors can perform the audit professionally appropriate with the standards that are assigned. The standards in Indonesia that has been revealed by Sukrisno Agoes (2012:10) an audit conducted by independent Public Accounting Firms must comply with Professional Standards of Public Accountants, observe to the code ethics and Standards of Quality Control.

In 2011, World Bank in cooperation with International Monetary Fund (IMF) issued a Report on The Observance of Standards and Codes (ROSC). The ROSC Accounting and Auditing are focused on the application of accounting and auditing standards in various organisations, and institutional framework that supports the company's financial reporting system. In Indonesia, The ROSC Accounting and Auditing was assisted by various organisation in the country (such as IAI, IAPI, BAPEPPAM-LK, PPAJP, BI, BEI and the Professionals of Accounting and Auditing) to review the implementation accounting and auditing in Indonesia. ROSC reveal that The Public Accounting Firms in Indonesia only a fractional part which represent a compliance with audit standards (ROSC, 2011).

The phenomenon that revealed in Report on The Observance of Standards and Codes (ROSC) is something that occurs in Indonesia that associated with dysfunctional audit behaviour. The dysfunctional audit behaviour is a deviation auditors from auditing standards which is performing audit procedures in the audit program is not implemented absolutely as of evidence obtained is unreliable, incorrect or inadequate in quality and quantity as well, (Herbach (2001), Willet ad Page (1996).

Based on standards of fieldworks auditing first point state that the activity must be planned and if you use an assistant should be supervised properly (SPAP,2011). However, in the fact by report from World Bank through ROSC represent about audit planning become one of the issues that occurred in Indonesia. A lot of Auditors in Indonesia that did not indicate the importance of audit planning and often conduct audit without developing a proper audit planning. This is related with the time budget preparation, which is time budget is required to determine audit costing and measure the effectiveness of auditors performance (Waggoner and Cashell, 1991).

Furthermore, the tight time budget is able to cause auditors felt in the time budget pressure when they are conducting audit program as a result of an imbalance between the available time of audit assignment and time required for completion of audit program (Kelley and Margheim, 1990). Beside that, according to Dennis (2005) state that in the end of the year (busy season) auditor will be under pressure due to amount of works, boredom, and pressure to complete the work on time. Usually, audits are done at the same time (end of the year) and should be completed at a predetermined time so that in line with many assignments

must be done at the same time it create a pressure and make the auditor conduct the deviation behaviour (Liyangararichi, et al., 2007). The time constraints may affect the amount of evidence that is obtained about incident and transaction after the balance sheet date which have an impact on the financial statements. In addition, only available time such a short time to separate the uncertainties that existed at the date of the financial statements (Boynton et al., 2010). Thus, audit time are set become increasingly tight and can occur a pressure for accountants. It indicates that time budget pressure constraints felt by the auditor resulting in stress so that the auditor does not focus on work, feeling guilty and uncomfortable in carrying out the work (Dezoort, 1997).

According to Nor, et al. (2009) understanding of the consequences of time budget pressure is crucial for the Public Accounting Firm. Assignment of time constraints inflict dysfunctional audit behaviour because the demands of qualified audit with the deadline, certainly is a pressure for public accountant (Cook and Kelley, 1991). However, if the time assignment is too tight, it is able to motivate the dysfunctional audit exist (Liyangararichi, et al., 2008).

A survey conducted by several researchers about dysfunctional audit behaviour among others by Donnelly et al., (2003) for the auditor on Public Accounting Firm "Big 6" showed that 89% of respondents had received and do some kind of dysfunctional audit behaviour (such as premature sign-off). The studies conducted by Otley and Pierce (1996) in the six large Public Accounting Firms of Ireland, it showed that 28% of respondents have received and do some kind of dysfunctional audit behaviour (such as premature sign-off). Moreover, found an average of 37% of respondents accepted weak clients explanation (Otley and Pierce, 1996). Coram et al., (2003) carried out a survey in Australia that found 63% do some kind of dysfunctional audit behaviour.

Literature Review

Time Budget

Audit time budget is an element of planning used by auditors which simply establishes guideline in number of hours for each section of the audit, it is stated by Guy, et al.(2002:498). Meanwhile, according to Konrath (2002:183) state that the time budget estimates the hours required to complete each phase of the audit. It's broken down to audit area and level of staff person (e.g., assistant, senior auditor, manager, partner). The timing of specific needs (i.e., interim audit work, inventory observation and other year-end procedures, final audit work) should also be included in the time budget in order to facilitate staff scheduling. Audit time budget arranged by the estimated time required for execution of any audit program at various levels of auditors. Preparation of audit time budget is generally done by in charge auditor or audit team that consisting of the auditor in charge, managers, and partners (Marxen, 1990).

In opinion Hill (2005:101) time of assignment preparation has three purposes there are : (1). Evaluating the efficiency of the audit team member ; (2). Compiling the record for billing the client; (3). Compiling the record for planning the next audit. Furthermore, Konrath said that the things into consideration time budget preparation include :

Nature of the audit client;

Assessment of inherent risk (Including fraud assessment);

Preliminary assessment of control risk (subject to modification resulting from testing of controls);

Prior year time budget and its relationship to actual time. (if a recurring audit);

Whether staff members have previous audit experience with client;

Required expertise

Time budget just a guideline, not an absolute or exactly. When the auditors require additional time to conduct an audit program, time budget can be changed at any time so that the auditor can collect the evidence sufficiently and more adequately in accordance with the purpose of audit is giving an opinion that in line with the audit standards which accepted generally and not for complying time budget (Otley and Pierce, 1996).

Time Budget Pressure

In the competitive market of audit services as today, in order to be able to operate effectively and efficiently, Public Accounting Firm is required to collect sufficient competent evidence to meet the professional standards and conduct efficiency through cost of audit controlling (Arens, et al., 2012). Beside that, time budget is used to motivate the staff to work efficiently, effective, and to evaluate the performance. Auditors must conduct the efficiency of cost and time during carrying out the audit. Since most of audit cost was triggered by time audit. Then, to improve the efficiency one of business that is often taken by public accounting firm is determining time budget tightly (McNair,1991).

According to Dezoort, et al. (1997:45) reveal about the meaning of time budget pressure is the time constrain that arise or may arise in engagement from limitation on the resources allocable to perform tasks. Time budget pressure is a timing issues that arise or may arise from the limitedness of resources (time) which allocated to implementation of audit tasks. Meanwhile, Liyangararichi et al., (2008) said that time budget pressure is one type of pressure that has the potential to severely undermine auditor's control environment.

Time budget pressure is one of the pressure that perceived which potentially reduces the performance of auditors in carrying out audit tasks. The same thing is disclosed by Coram, et al.,(2004) that time budget pressure is a type of timing issues which is often occur and perceived by the professional accountant, it is related with limitedness of time and the amount of work. Auditors who completed the audit exceeds a predetermined time disposed rated score poorly on the boss. According Ahituv, and and Igbaria

(1998), the time budget pressure able to influence a person's performance which the auditor is often work in a limited time, so it can influence its performance to gain a quality audit.

Further studies have been conducted in several countries, time budget pressure is a major problem associated with the public accounting profession (Otley & Pierce, 1996; Dezoort & Alan, 1997; Halil Paino, 2010). Time budget pressure is a major problem associated with periods when the time provided by Public Accountant very limited (Dezoort et al., 1997), a lot of work but human resources are limited (Coram et al., 2004). In other side, auditor should conduct their work in accordance with time budget that has been arranged as one of the performance appraisal auditor (Mc Namara and Liyanarachchi, 2008).

Beside that, there is a research conducted by Coram, et al., (2003) in Australia, where 80% respondent said that time budget pressure is a factor causing them to dysfunctional audit behaviour. The same research results is occurred in the United Kingdom by Otlet and Pierce (1996), then Pierce and Sweeney (2004) in New Zealand. Dimensions and indicators used for time budget pressure in this study (Pierce and Sweeney, 2004; Coram, et al., 2004; Mc Namara and Liyanarachchi, 2008) include: Time Consumed, attainability, Target Charge, audit task (Mc Namara and Liyanarachchi, 2008)

Dysfunctional Audit Behaviour

Auditor as professional workers have to use the professional skills carefully and thoroughly in carrying out audits (SPAP, 2013). The using of professional proficiency carefully and thoroughly requires the auditor to conduct his professional skepticism and must disclose the condition naturally about the company being audited based on the evaluation of the evidence obtained during the execution of auditing.

In addition to auditing standards, the auditor have to own knowledge, accounting skills and good personal quality (SPAP, 2013). Personal qualities will be reflected in the behaviour of their profession. Behaviour public accountant proficiency is existed to avoid dysfunctional audit. This is similar to the Joworski and Young (1992) which revealed that dysfunctional behaviour is defined as action in which the violation of control system rules and procedures. Meanwhile, according Herrbach (2001) reveal the define about dysfunctional audit behaviour is the poor execution of an audit procedure that reduce the level of evidence gathered for audit, so that the collected evidence is unreliable, false or inadequate quantitatively or qualitatively. In other side McNair (1991) state that this types of behaviour, namely a failure to exercise due care, can in the extreme undermine the integrity of the audit process. The inability to monitor true effort is perhaps the most critical exposure, or danger, faced by an audit management held accountable for audit integrity by the public.

Furthermore Paiono, et al., (2010) revealed that the dysfunctional audit behaviour can, in turn, have both direct and indirect impact on audit quality. Behaviour that directly affects audit quality include premature signing-off of audit steps without completion of the procedure. A second, behaviour that indirect is under reporting of the actual time or specific audit tasks. According to Kelley and Margheim (1990) says that dysfunctional audit behaviour have four types such as reduce amount of work performed on audit step, accepting weak client explanations, failing to research an accounting principle and made superficial reviews of client document. This type of behaviour has become reduce audit quality. In conclusion, dysfunctional audit behaviour is deviation from the audit standards where performing audit procedures in audit program is not optimal so that the evidence collected during the audit unreliable, incorrect or inadequate in quality or quantity.

The Influence of Time Budget Pressure on Dysfunctional Audit Behaviour

Time budget pressure able to cause pressure for the auditors in completing the audit assignment and further encourage auditors conduct dysfunctional audit behaviour (Kelly and Marghiem, 1990; Otley and Pierce 1996; Pierce and Sweeney, 2004). Usually, the audit must be done in a predetermined time at the same time so that the amount of work must be completed at the same time, it create a pressures and attitudes that cause the auditor conduct dysfunctional audit behaviour (Liyangarachchi, et al., 2007).

The intense competition in audit market encourages public accounting firm to arrange time budget strictly (Mc Nair, 1991). Time budget pressure can lead auditor feels the stress in implementing the audit program as a result of an imbalance time allocated by the time required to complete task of auditors in audit, and can further encourage auditors to conduct dysfunctional audit behaviour (Dezoort and Lord, 1997).

Based on the results of research conducted, Cook and Kelly (1988) said that time budget pressure has a positive effect on dysfunctional audit behaviour that increases proportionately. The same results from the research conducted by Otley and Pierce, 2004; Gundry (2006) revealed that if the time budget pressure that perceived the auditor is higher, so that the tendency of auditor to conduct dysfunctional audit behaviour in completing the assignment is increasing.

Research carried out in Indonesia that tested the influence of time budget pressure on dysfunctional audit behaviour is still limited and the results haven't yet conclusive. Heriningsih (2002) found that time budget pressure has a positive effect on premature sign off. The same result that conducted by Weningtyas, et al., (2003) who found time budget pressure has a positive effect on premature termination on the audit procedures. In other hand, Basuki and Mahardani (2006) shows the time budget pressure has positive influence on the behaviour of underreporting time, and has no effect on premature audit procedures.

According Dezoort (1997) that time budget pressure is going to give pressure which can affect on the attitude and public accountant behavior who are conducting audit those are :

- Impacting attitudes; Stress, feeling of failure, job dissatisfaction, undesired turnover
- Impacting intentions; Under reporting time, accepting weak from evidence

- Impacting behaviour; Premature sign-off, neglect needed research an accounting standard

Research Methods

This study is a descriptive-verify, which describes and explain the influence of time budget pressure on dysfunctional audit behaviour. The research is performed to Public Accounting Firms in Indonesia. The number of respondent is 183 Public Accounting Firm which are selected by simple random sampling methods.

Object of Research

The Object of research is variable or anything that become the focal point of study (Suharsimi Arikunto, 2006:15). In this study, the research object is time budget pressure and dysfunctional audit behaviour.

Method of Collecting Data

The method of collecting data in this study is survey method. That is method used to obtain data from a natural certain place (not artificial), but researchers conduct the collecting of data by sharing a questionnaires, tests, structured interviews etc (Sugiyono, 2011:6). And this time, the researcher is using questionnaires to obtain the data.

Variable Operationalization

The operationalisation done by looking at behavioural dimension, shape, or the characteristic of that concept hereafter known as a variable. The operational variable used in this study are :

Time budget pressure according to Liyanarachchi, et al., (2004); Dezoort and Alan (1997) is the problem perceived by the auditors because of the limitedness time and demands to complete the audit effectively base on the predetermined time. Furthermore, the auditor get the pressure on declining performance assessment if they can not complete the audit on time. Thus, it is operationalized become variable X.

Dysfunctional audit behaviour is a deviation from audit standard where performing audit procedires in the audit program is not optimal so that the evidence collected during audit is unreliable, incorrect or inadequate in quality and quantity, Paino, et al., (210) Herbach (2001), Willet ad Page (1996), Joworski and Young (1992). Thus, it is operationalized become variable Y.

Type of Data

In this study, the data used is primary data in the form of a questionnaires given to respondents. Measurement data performed in this study using a Likert scale with the size of 1-5. While the secondary data used is literature supporting and relevant to this study.

Results and Methods of Data Processing

The processing method in this study is using regression. Regression is a statistical method to test whether or not the influence of one variable to another variable. The regression equation using Least Square Approach, which is a calculation method that minimizes the error between the actual value of Y with the Y value forecasting results. The following data is output from the processing of the time budget pressure and dysfunctional audit behaviour by using Microsoft Excel.

Table 1. Regression Statistics

| <i>Regression Statistics</i> | |
|------------------------------|-------------|
| Multiple R | 0,500067855 |
| R Square | 0,250067859 |
| Adjusted R Square | 0,24590157 |
| Standard Error | 0,352468296 |
| Observations | 182 |

Table 2. Anova

| | <i>df</i> | <i>SS</i> | <i>MS</i> | <i>F</i> | <i>Significance F</i> |
|-------------------|-----------|-------------|-------------|-------------|-----------------------|
| Regression | 1 | 7,456731969 | 7,456731969 | 60,02171692 | 6,60333E-13 |
| Residual | 180 | 22,36210197 | 0,1242339 | | |

| | | |
|--------------|-----|-------------|
| Total | 181 | 29,81883394 |
|--------------|-----|-------------|

Table 3. Significance

| | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower 95%</i> | <i>Upper 95%</i> | <i>Lower 95,0%</i> | <i>Upper 95,0%</i> |
|-----------------------------|---------------------|-----------------------|---------------|----------------|------------------|------------------|--------------------|--------------------|
| Intercept | 0,776 | 0,107 | 7,245 | 0,000 | 0,565 | 0,988 | 0,565 | 0,988 |
| Time Budget Pressure | 0,416 | 0,054 | 7,747 | 0,000 | 0,310 | 0,522 | 0,310 | 0,522 |

Interpretation of the regression equation :

Intercept amounted to 0.776 has a meaning without the influence of variable X, then the variable Y is 0,415

Direction of relationship from the equation appear a sign (+), which describe the positive correlation that has meaning the regression line drawn is positive slope

The coefficient of regression is 0.415, this value indicates that the magnitude of the increase variable Y is influenced by the variable X at 0,415.

Analysis of Regression

Hypotheses

In this study we have 2 hypotheses, those are :

H₀ : Time Budget Pressure has not an influence on dysfunctional audit behaviour

H₁ : Time Budget Pressure has an influence on dysfunctional audit behaviour

Table 4. Determining t_{table} and t_{test}

| | |
|--------------------------|-------------|
| α | 0,05 |
| df (n-2) | 181 |
| t_{test} | 7,747 |
| t_{table} | 1,973231 |

Result And Discussion

Description of Observation Unit

In this part will be presented the result and decision obtained from sharing the questionnaire to supervisor, manager auditor, and partner. The questionnaire consist 4 section statement about time budget pressure. The unit analysis in this study is a public accounting firm in Indonesia as many 393 office. The number of questionnaires distributed to respondents are 400 questionnaires, but only 196 questionnaires that returned. It included 8 questionnaires filled out by the auditors who didn't include the defined of criteria, while 5 questionnaires is not filled out completely. Thus, all the questionnaires that able to be use is 183 Public Accounting Firms.

Table 5. Spreading of Questionnaires Research

| | | |
|-----------------------------------|------------|-------------|
| Distributed Questionnaires | 400 | 100% |
| Questionnaires Returned | 196 | 49% |

| | | |
|----------------------------------|-----|-------|
| Damaged Questionnaires | 8 | 2% |
| Uncomplete Questionnaires | 5 | 1.5% |
| Questionnaire Used | 183 | 47.5% |

The Influence Time Budget Pressure on Dysfunctional Audit Behaviour

Based on the result by Regression Statistics, known that the correlation coefficient (Multiple R) is 0.500067855 it showed that has average relationship. The regression coefficient (R^2) is 0.250067859. The coefficient accompanying the variable is sometimes called the regression coefficient. The regression coefficient if conducted on adjusted regression square is 0,24590157. The variation value around the line of regression equation is 0,352468296. Meanwhile, the number of sample or data is 182. Then, obtained the total degree of freedom is 181, while the total of sum square is 29.81883394. Obtained a mean square on regression is 7.456731969 and from the residual is reached 0.1242339, with F_{test} is 60.02171692. Decision rule of Regression Test, are :

H_0 ignored if $t_{test} > t_{table}$

H_0 accepted if $t_{test} < t_{table}$

In conclusion, based on result the decision is H_0 is ignored because $t_{test} > t_{table}$ or $7.747 > 1.973231$. It has meaning that time budget pressure influence on dysfunctional audit behavior.

This result found that time budget pressure has a positive effect on dysfunctional audit behaviour. The same result that conducted by Wenington, et al., (2003) who found time budget pressure has a positive effect on premature termination on the audit procedures (dysfunctional audit behaviour). In other hand, Basuki and Mahardani (2006) shows the time budget pressure has positive influence on the behaviour of underreporting time, and has no effect on premature audit procedures (dysfunctional audit behaviour).

Conclusion

Time budget pressure is one of the pressure that perceived which potentially reduces the performance of auditors in carrying out audit tasks. In principle, the dysfunctional audit behaviour is influenced by several factors one of them is time budget pressure. Time budget pressure able to cause pressure for the auditors in completing the audit assignment and further encourage auditors conduct dysfunctional audit behaviour. If the time budget pressure that perceived the auditor is higher, so that the tendency of auditor to conduct dysfunctional audit behaviour in completing the assignment is increasing. Therefore, the issues examined in this study is whether there is influence of time budget pressure on dysfunctional audit behaviour. Based on the phenomenon, the formulation of the problem, hypothesis and analyzes the result of research that has been discussed, the authors draw the conclusions is the time budget pressure has influence on dysfunctional audit behavior. This proves that is still low adherence to auditing standards and weak implementation of audit procedures that are not performed optimally because Time budget provided in the audit planning is very tight. The tight time budget should be achieved as a benchmark for measuring the performance.

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