

QUALITY AUDIT IN BANKING INDUSTRY

Tulus Suryanto¹

Faculty Of Islamic Economic and Business

The State Islamic Institute of RadenIntan Lampung, Indonesia

Email: tulus_suryan70@yahoo.co.id

ABSTRACT

This study examines the relationship of professional ethics audit toward auditors' opinion: auditor professionalism and dysfunctional behavior as intervening Variable. This research was conducted at the banking industry firm in Bandar Lampung and auditors as the sample. The data was collected by using a questionnaire. This research represents the empirical test which used census sampling. Data analysis uses SEM Amos programs. Result of hypothesis examination indicate that from three hypothesis raised, all of it accepted. Accepted hypothesis 1, there is a positive relation between professional ethics audit toward auditors opinion; hypothesis 2, auditors professionalism is as moderated variable professional ethics audit toward auditors' opinion; hypothesis 3, dysfunctional behavior is as negative moderated variable professional ethics audit toward auditors' opinion.

KEYWORDS: Quality Audit, Ethics Audit, and SEM Amos Program

1. Introduction

The risk of fraud committed by management or employees of the company can reduce the good name / reputation in the business world, or may reduce the ability of the company to maintain its viability. The existence of these risks requires the auditor to perform the prevention and detection of fraud committed by the company (Amrizal, 2002). In the detection of fraud, the auditor is required to obey the code of professional ethics and professional manner in order to determine the risk audit.

existence of opinion fraud committed by management or employees of the company can reduce the reputation in the business world, or may reduce the ability of the company to maintain its viability. The existence of these risks requires the auditor to perform the prevention and detection of fraud committed by the company (Amrizal, 2002). In the detection of fraud, the auditor is required to obey the code of professional ethics and professional manner in order to determine the audit opinion.

Given the role of the auditor is required by the business world, it is encouraging auditors to understand the implementation of ethics in their profession. Professional ethics is an organizational factors that will affect the performance of an auditor. There are several important elements that must be owned by the auditor, namely: (1) expertise and understanding of accounting standards or standards of financial reporting, (2) the standard inspection / auditing, (3) professional ethics, (4) an understanding of the business environment that is audited. So the main requirements that must be owned by an auditor is required to adhere to the applicable rules of professional ethics. Therefore, professional ethics is a means of self-regulation which is crucial for the implementation of the profession of an auditor.

The success of the auditor in performing the audit process and provide an opinion of course not separated from the auditor behavior as implementing the audit. Research conducted by Wiyantoro (2009) showed that in the implementation of activity often occurs a deviant behavior or intentional violations outside of the rules and procedures are usually done by implementing the so-called dysfunctional behavior. Application audit

professionalism demanded a complete understanding of an auditor in performing their duties. With the dysfunctional behavior of course will negatively affect the audit process.

2. Theory and Hypothesis

2.1. Theory of Reasoned Action (TRA)

This study aimed to describe the relationship between attitudes and behavior of individuals, especially the auditors in carrying out the audit process. In the Theory of Reasoned Action (TRA) proposed by Fishbein and Ajzen (1975) is a theory that relates to the attitude and behavior of individuals in carrying out the activities / actions are grounded (reasoned action). An auditor is required to be professional and comply with audit ethics in carrying out the audit process for which this theory would explain the attitude of auditors in the process of its activities whether auditors do their job with professionalism and whether there is an element of dysfunctional behavior in the working process.

1.2. Relations Professional Ethics Audit of the Audit Opinion

One way to realize the public accounting profession professional conduct one of which is the effect of the implementation of professional ethics established by the IAI talahie Accountants Code of Indonesia. Ethics can be defined as a set of moral principles or values (Elder et al., 2011), in terms of ethics, a profession should have a high moral commitment as outlined in the form of a special rule. This rule is a rule execute or carry out the profession, which is commonly referred to as code ethics. Code of Conduct created with the aim to establish standards of conduct for accountants, especially CPAs. Code of professional conduct large is due to the following reasons:

1. The need for public confidence in the quality of services rendered.

2. People can not be expected to assess the quality of services provided by the profession
3. Increased competition among members of the profession

Indonesian Accountants Code of Conduct is a code of behavior that consists of:

1. The general provisions in the code of ethics of public accountants have the power in terms of the emphasis on positive activities to produce high quality work. The disadvantage is difficult to impose an ideal general behavior in the absence of minimum standard of conduct.
2. Special rules have pejabaran excellence in detail, so as to imposition of minimum standards of conduct and performance. The disadvantage is likely to provide interpretation on the practitioners as a minimum standard maskimum instead.

Audit opinion is given by the auditors opinion on the fairness of the presentation of the financial statements of the company where the auditor to audit. Audit opinion delivered in the opinion paragraph that was included in the audit report section. Therefore, the audit opinion is an integral part of the audit report. The audit report informs users about what information the auditor and the conclusions obtained. "Statement of the auditor's opinion must be based on the audit carried out by auditing standards and on its findings." (SA Section 508, IAPI, 2011). There are five types of statement of opinion may be provided by a public accountant who audited the financial statements. As for the statement described in section 508, SPAP (2011), that an unqualified opinion, unqualified opinion with an explanatory language, qualified opinion, the opinion is not fair, and the statement did not give an opinion.

Basic things that must be considered by the auditor is ethics in the profession. Implementation of professional work can not be separated from ethics for professional conduct required of all professions that profession lived won the trust of the community. The American Heritage Directory in Gusti and Ali (2008) stated ethics as a rule or standard that determines the behavior of members of a profession. With high ethical awareness, then an auditor tend professional duties and carry out their duties in accordance with the professional code of ethics and auditing standards, so that the results of the audit would be more indicative of the actual situation in the provision of audit opinion.

Suraida research results (2005) show empirically that the ethical factor giving a positive effect on the accuracy of the auditor's opinion. Results were a reference to the author that ethics also affect the accuracy of opinion by the auditor's provision. Based on these descriptions, the proposed hypothesis is as follows:

H1: There is a relationship between ethics with precision giving opinions

1.3. Relations professional ethics audit, professional auditors and audit opinion

Simply put, professionalism means that the auditor shall perform his duties with sincerity and accuracy. As a professional, the auditor should avoid negligence and dishonesty. Arens et al. (2003) in Noveria (2006) defines professionalism as an individual responsibility to behave better than compliance with laws and regulations existing society. Professionalism is also an element of motivation that contribute to a person that has a high task performance (Guntur et al, 2002 in Ifada and M. Jafar, 2005).

In determining the level of the opinion the financial statements required considerations are not easy. Many

factors affect the auditor's judgment in determining opinionnya, among others: Professionalism Auditor, the more professional an auditor then consideration will be better and the ethics of the profession, with the implementation of Professional Ethics at each execution of the task, then the auditor will not commit fraud in determining the level of materiality. Research Herawaty and Susanto (2008) investigated Professionalism, Knowledge Public Accountant in Detecting Errors, Professional Ethics and Materiality level considerations. The results showed that the regression coefficient Professionalism has a positive value (0.231) and significant.

With the professional ethics referred to by impersonating the auditor is expected to increase the level of professionalism of the auditors in the audit pass to produce reasonable opinion without cheating and manipulation to improve their professional level. In this case the hypothesis developed as follows:

H2: The effect of the professional ethics of the audit opinion is mediated by the professionalism of the audit

1.4. Relations professional ethics audit, dysfunctional behavior and audit opinion

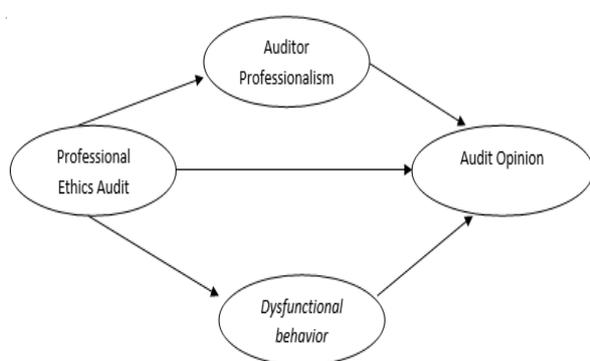
Auditors work processes in generating opinion will not be successful if it is not accompanied by the behavior of the individual (auditors) that support the audit process. According to Jaworski and Young (1992) dysfunctional behavior can be defined as "an act done less than the maximum effort to manipulate the elements of the control system with the desired destination. Her logic is not professional ethics will help produce a reasonable audit opinion if influenced by factors dysfunctional behavior by an auditor. Referring to research Soobaroyen (2006) which proves that the behavior dysfunctional direct negative effect on the performance and results of the

output of a process, then the hypothesis is formulated as follows:

H3: The influence of the professional ethics of the audit opinion negatively mediated by dysfunctional behavior.

The research model that describes a conceptual framework as well as guide grooves thinking can be seen in Figure 2.1

Figure 2.1
Research Model



3. Research Methodology

3.1. Population and Sample

The population in this study is the banking industry in the city of Bandar Lampung. As for the sample is internal auditors

3.2. Data Collection Technique

Data collection techniques or patterns of sampling in the study is to use the census sampling method, namely by taking all the existing samples for examination.

3.3. Data quality test

Data quality test conducted on the test reliability and validity test with SPSS version 18.0 Software (Statistical Product and Service Solutions). Reliability test intended

to measure a questionnaire which is an indicator of variables or constructs. Reliability measurements performed with Cronbach Alpha test. A construct said to be reliable if the Cronbach Alpha value ≥ 0.60 (Nunnally, 1967 Ghozali 2004).

Validity test used to measure whether a valid or invalid questionnaires. A questionnaire as valid if the questionnaire is able to reveal something that will be measured by the questionnaire. Validity test is done by bivariate correlation between each score total indicator constructs. If the total correlation constructs showed significant results, then each indicator is a valid question

Test the hypothesis using multivariate techniques Structur Equation Model (SEM). SEM modeling consists of a measurement model (measurement model) and the structural model (structural model). Structural model is intended to examine the relationship between exogenous and endogenous constructs. While the measurement model is intended to examine the relationship between indicators of the constructs / latent variable Ballen (1989) in Imam Ghozali (2005). The software used in this study is Amos ver 20.

4. Results and Discussion

4.1. Statistik Desriptif

4.1.1. Delivery and Returns Questionnaire

The data collection of this study using a questionnaire as an instrument collector, primary data. Primary data is the answer of the respondent. The questionnaire used in this study is delivered directly to the respondent by visiting the respondent. Questionnaires distributed a total of 66 questionnaires. Of the 66 questionnaires distributed, a total of 7 pieces not be returned because of busy at work and 2 incomplete. Thus, at the end of the study the number of questionnaires collected was 57 questionnaire.

4.1.2. characteristics of Respondents

Characteristics of respondents obtained based on data derived from the questionnaire. In summary it can be seen in the following table 4.1:

Table 4.1.
Characteristics of Respondents

No	Description	Total	Percentage (%)
1.	Gender		
	Male	44	77,19
	Female	13	22,81
	The number of questionnaires that can be processed	57	100
2.	Age's		
	≤ 40 years	10	17,54
	> 40 years	47	82,46
	The number of questionnaires that can be processed	57	100
	The number of questionnaires that can be processed	57	

Sources: Primary data were processed, 2014

4.2. Quality Test Data

Test data quality include the reliability and validity of the test. Reliabilas test conducted with Cronbach alpha test using SPSS. A construct said to be reliable if it gives Cronbach alpha values > 0.60 (Nunnaly, 1967 Ghozali, 2004). Reliability test results are presented in table 4.2.

Table 4.2
The Results Reliability Test

No	Variable	Cronbach Alpha Values	Description
1	Professional Ethics Audit	0,773	Reliable
2	Auditor Professionalism	0,683	Reliable
3	Dysfunctional Behavior	0,622	Reliable
4	Audit Opinion	0,889	Reliable

Sources: Primary data were processed, 2014

Validity test is done by bivariate correlation (Pearson correlation) between the respective indicator scores with a total score of the construct. An indicator of the question as valid if the correlation between each of the indicators showed significant results. Results of test validity can be seen in table 4.3.

Table 4.3
The Results Validity Test

No	Variable	Range Correlation	Significanty	Description
1	Professional Ethics Audit	0,16 – 0,74**	0,01	Valid
2	Auditor Professionalism	0,03 – 0,76**	0,01	Valid
3	Dysfunctional Behavior	0,12 – 0,57**	0,01	Valid
4	Audit Opinion	0,58** - 0,82**	0,01	Valid

Sources: Primary data were processed, 2014

4.3. Hypothesis Testing

Having tested for normality and outliers using Amos ver 5.0, the data can be submitted for filing hypothesis. Summary comparison of models built with the cut of the goodness of fit indices are defined, appears in the following table 4.4:

Table 4.4
Goodness of fit indicatcs

Full model structural equation model setelah eliminasi

Goodness of fit index	Cut off Value	Result Model	Description
Chi-Square		72.886	
Probability	≥ 0.05	0.052	Fit
CMIN/DF	≤ 2.00	1.181	Fit
GFI	≥ 0.90	0.910	Fit
AGFI	≥ 0.90	0.935	Fit
TLI	≥ 0.95	0.985	Fit
CFI	≥ 0.90	0.933	Fit
RMSEA	≤ 0.08	0.074	Fit

Index criteria showed a good level of acceptance that all show the value of the corresponding fit. To test the hypothesis, it can be seen the magnitude and probability of Critical Ratio and the output of the following regression weight in table 4.5

Table 4.5

Full Model Regression Weights

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
AP	<--	PEA	0,983	0,145	5,213	0	par-4
DB	<--	PEA	0,935	0,23	3,216	0,027	par-2
DB	<--	AP	0,005	0,393	2,074	0,881	par-7
AO	<--	PEA	1,231	1,339	3,359	0,646	par-3
AO	<--	AP	0,792	0,453	2,113	0,267	par-5
OA	<--	DB	1,466	1,318	0,721	0,502	par-6
x5	<--	PEA	1				
x2	<--	PEA	1				
x7	<--	AP	1				
x8	<--	AP	1				
x9	<--	AP	1				
x15	<--	AO	1				
x19	<--	AO	1,007	0,127	7,899	0	par-1
x22	<--	AO	1				
x14	<--	AP	1				
x12	<--	AP	1				
x10	<--	AP	1				

Sources: Data processed, 2014

Which is

PEA = Professional Ethics Audit

AP = AuditorProfessionalism

DB = *Dysfunctional Behavior*

AO = Audit Opinion

4.6. Discussion

Hypothesis 1

The first hypothesis (H1) stated that there is a relationship between ethics with precision giving opinions. The test results of the estimation parameters (standardized

regression weight) between Professional ethics audit (PEA) of the Audit Opinion (AO) showed positive effect 1.231, with the value of the critical ratio (CR) of 3.359 and p-value of 0. The CR value is far above the critical value of ± 1.96 with a significance level of 0 (ie significant) that p is under significant value 0:05. Thus the first hypothesis can be accepted.

These results are consistent with research Kusuma (2012) where his research concluded that the professional ethics positive and significant effect on the level of materiality considerations of public accountants in providing an opinion. In addition, these results also reinforce the research done Sukmawati (2014) that professional ethics related to the audit opinion. Every public accountant is also expected to uphold the Professional Ethics which has been established by the Indonesian Institute of Certified Public Accountants, so that the situation of unfair competition can be avoided. Without ethics, the accounting profession would not exist as a function of accounting is a provider of information for business decision-making process by the business. By upholding the Professional Ethics is not expected to occur cheating among public accountants, so it can provide the auditor's opinion that really fit with the financial statements presented by the client.

Hypothesis 2

Hypothesis two stated Effect of the Professional ethics audit (PEA)of the audit opinion (AO) is mediated by the auditor professionalism (AP). For two hypotheses in this study developed a model that connects directly influence the construct Professional ethics audit (PEA)) through intermediate variables auditor professionalism (AP) to the audit opinion (AO)

Table 4.6
Standardized Direct Effect

	PEA	AP	DB	AO
AP	0,983	0	0	0
DB	0,935	0,005	0	0
AO	1,231	0,793	1,466	0

The direct effect is the loading factor or lambda value of each indicator that form the latent variables are analyzed (Agusty, 2001). To determine the influence of Professional ethics audit (PEA)) through intermediate variables auditor professionalism (AP) to the audit opinion (AO).

Table 4.7

Indirect effect Professional Ethics Audit (PEA) through intermediate variables Auditor Professionalism (AP) to the Audit Opinion (AO)

Lane	Direct Effect PEA-AP	Direct Effect AP-AO	Indirect Effect PEA-AP-AO
	a	b	(a X b)
PEA-AP- AO	0.983	0.793	0.779

The magnitude of the indirect effect of ethics audit of the audit opinion by the auditor professionalism for 0.779. Positive sign tesebut give meaning that audit professionals proved to mediate between ethical audit and audit opinion. Hypothesis two stated Effect of the professional ethics of the audit opinion is mediated by the audit professionalism accepted

Public accountants are expected to uphold the Professional Ethics audit which has been established by the Indonesian Institute of Certified Public Accountants, so that the situation of unfair competition can be avoided.

Without ethics, the accounting profession would not exist as a function of accounting is a provider of information for business decision-making process by the business. By upholding the Professional Ethics Audit, the level of auditor professionalism will be higher, because the professional audit will prevent fraud among public accountants, so as to give an audited opinion that really fit with the financial statements presented by the company. The results of this study are consistent with the results of research Herath and Susanto (2009), which gives evidence that the positive effect of Professional Ethics Audit for consideration Materiality level. This study also supports the results of research conducted Wahyudi et al. (2014) which proves that the audit professionals is one of the decisive factors in the provision of audit opinion.

Hypothesis 3

Hypothesis three stated Effect of the professional ethics audit of the audit opinion negatively mediated by dysfunctional behavior. For three hypotheses in this study developed a model that connects directly influence the construct Professional Ethics Audit (EA) through intermediate variables dysfunctional behavior (DB) to the Audit Opinion (OA).

Table 4.8.

Indirect effect Professional Ethics Audit (PEA) through intermediate variables Dysfunctional Behavior (DB) to the Audit Opinion (AO)

Lane	Direct Effect PEA-DB	Direct Effect DB-AO	Indirect Effect PEA-DB-AO
	a	b	(a X b)
PEA-DB-AO	0.935	1.466	1.370

The magnitude of the indirect effect of ethics audit of the audit opinion by Dysfunctional behavior of 1,370. Positive sign ofgive meaning that dysfunctional behavior

proved negative mediate between ethical audit and audit opinion. Hypothesis three states influence the professional ethics of the audit opinion negatively mediated by dysfunctional behavior **be accepted.**

Process audit activities will not succeed in generating opinion if it is not accompanied by the behavior of the individual (auditors) that support the process. According to Jaworski and Young (1992) dysfunctional behavior can be defined as "an act done less than the maximum effort to manipulate the elements of the control system with the desired destination. Ethics auditor if accompanied dysfunctional attitude will certainly have a negative impact on the process of the audit work. Dysfunctional attitudes will lead to a breaking ethical and professional attitude shows that the results of their audit opinion had become incompatible with the real situation occurs in the companies they audit. In summary ethical auditors to audit opinion will not be effective when it is influenced by factors dysfunctional behavior. This is consistent with research that has been done by Soobaroyen (2004) and Wiyantoro (2006) which proves that the behavior dysfunctional direct negative effect on the performance or the outcome of the process.

5. Conclusions and Recommendations

5.1. Conclusion

The results of this study prove that:

1. There is a positive relationship between ethics with precision giving opinions. These results are consistent with research Kusuma (2012) and also strengthen the research done Sukmawati (2014) that professional ethics related to the audit opinion. Without ethics, the accounting profession would not exist as a function of accounting is a provider of information for business decision-making process by the

business. By upholding the Professional Ethics Audit is not expected to occur cheating among public accountants, so it can provide the auditor's opinion that really fit with the financial statements presented by the client.

2. Professional ethics audit proved to mediate between the audit and the audit opinion. The results of this study are consistent with the results of research Herath and Susanto (2009), and supports research conducted Wahyudi et al. (2014) which proves that the audit professionals is one of the decisive factors in the provision of audit opinion. By upholding the Professional Ethics Audit, the level of professionalism the audit will be higher, because the professional audit will prevent fraud among public accountants, so as to give an audited opinion that really fit with the financial statements presented by the company
3. Dysfunctional behavior proved negative mediate between ethical audit and audit opinion. Dysfunctional attitudes will lead to a breaking ethical and professional attitude shows that the results of their audit opinion had become incompatible with the real situation occurs in the companies they audit. In summary ethical auditors to audit opinion will not be effective when it is influenced by factors dysfunctional behavior. This is consistent with research that has been done by Soobaroyen (2004) and Wiyantoro (2006) which proves that the behavior dysfunctional direct negative effect on the performance or the outcome of the process.

5.2. Suggestion

1. For auditors, need to increase the additional knowledge that can support the auditor's

judgment in determining an opinion on the financial statements.

2. Relations with colleagues need to be improved to establish good communication, so there is no difference between the auditor's perception of the other auditors and prevent dysfunctional behavior behavior that will affect the outcome of the opinion the financial statements.
3. In performing its duties, the auditor must comply with the Professional Ethics Audit which has been established by professional organizations, so do not act according to personal preference.
4. It should be the development of research instruments, ie adapted to the conditions and environment of the object to be studied.
5. For further research on the same topic should use statistical tools based SEM (Structural Equation Modeling) as LISREL.

References

- [1]. Arrens.,Loebbecke.2002. "Auditing".*Terjemahan*. EdisiKedua. SalembaEmpat. Jakarta
- [2]. Elder, Randal J., et al. 2011. *Jasa Audit dan Assurance: Pendekatan Terpadu (Adaptasi Indonesia)*, Buku 1. Jakarta: PenerbitSalembaEmpat.
- [3]. Ghozali, Imam. 2006. *Aplikasi Analisis Multivariate dengan program SPSS*. Cetakan IV. BadanPenerbitUniversitasDiponegoro. Semarang
- [4]. Ghozali, Imam. 2004. "Model persamaan structural ,konsep dan aplikasidengan program "AMOS Ver.5.0".BadanPenerbitUniversitasDiponegoro, Semarang.
- [5]. Gusti, MaghfirahdanSyahril Ali. 2008. "Hubungan Skeptisisme Profesional Auditor dan Situasi Etika ,Pengalaman serta Keahlian Audit dengan Ketepatan Pemberian Opini Auditor oleh Akuntan Publik". Jurnal Simposium Nasional Akuntansi XI.
- [6]. Herawati dan Susanto. (2009). *Pengaruh Profesionalisme, Pengetahuan Mendeteksi Kekeliruan dan Etika Profesi terhadap Pertimbangan Tingkat Materialitas Akuntan Publik*. Jurnal Akuntansi dan Keuangan Vol.11 No. 1
- [7]. Ifadadan M. Ja'far. (2005). *Pengaruh Sikap Profesionalisme Internal Auditor Terhadap Peranan Internal Auditor dalam Pengungkapan Temuan Audit*. Jurnal Bisnis, Manajemen dan Ekonomi. Vol.7 No. 3
- [8]. Institut Akuntan Publik Indonesia. 2011. *Standar Profesional Akuntan Publik* 31 Maret 2011. Jakarta: Penerbit Salemba Empat.
- [9]. Jaworski, B.J., and S.M. Young. 1992. "Dysfunctional Behavior and Management Control: An Empirical Study of Marketing Managers". Accounting, Organization and Society 17 (1): 17-35
- [10]. Kusuma, Novanda Friska. 2012. *Pengaruh Profesionalisme Auditor, Etika Profesi dan Pengalaman Auditor terhadap Pertimbangan Tingkat Materialitas*, Skripsi. Universitas Negeri Yogyakarta.
- [11]. Noveria. (2006). *Pengaruh Profesionalisme Auditor Internal terhadap Work Outcome Auditor Internal*. Skripsi. Tidak Dipublikasikan. UNPAD Bandung
- [12]. Sukmawati, Ni. Luh Gede, dkk. 2014. *Pengaruh etikaprofesi, kecerdasan intelektual, kecerdasan emosional dan kecerdasan spiritual terhadap opini audit* (Studi empiris pada Kantor Akuntan Publik Wilayah Bali. e-Journal S1 Akuntansi Universitas Pendidikan Ganesha Jurusan Akuntansi Program S1 (Vol:2 No:1 Tahun 2014)
- [13]. Suraida. (2005). Uji Model Etika, Kompetensi, Pengalaman Audit dan Resiko Audit Terhadap Skeptisisme Profesional Auditor. Jurnal Akuntansi. Th IX/02/Mei
- [14]. Soobaroyen Teerooven. 2006. "Management Control System and Dysfunctional Behavior: an Empirical Investigation". Accounting Behavior. Email: trs@aber.ac.uk
- [15]. Wahyudi, Putra. Dwi., 2014. *Hubungan etikaprofesi, keahlian, pengalaman dan ketepatan waktu pemberian opini dalam laporan keuangan melalui pertimbangan materialitas dan skeptisisme profesional auditor*. Jurnal Akuntansi Review
- [16]. Wijayanti, Gersontan Lewi. 2012. *Peran Kecerdasan Emosional Dan Kecerdasan Spiritual Dalam Meningkatkan Kinerja Auditor*. Dalam Jurnal Ilmiah Mahasiswa Akuntansi Vol 1, No.2
- [17]. Wiyantoro, Lili S. 2008. *Hubungan antara system pengendalian manajemen dengan perilaku dysfunctional :budaya nasional sebagai variabel moderating*. SNA XII Pontianak