

# Effect of Time Budget Pressure and Audit Complexity on Audit Quality with Management Intervention as Moderating Variable

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## Abstract

The purpose of this study was to determine the effect of time budget pressure and audit complexity on audit quality with management intervention as a moderating variable. The population in this study were all auditors at the Makassar City Public Accounting Firm with a research sample of 35 auditors. This research method uses multiple regression analysis. The type of data in this study is primary data in the form of a questionnaire containing respondents' assessments. The results of this study indicate that time budget pressure has a significant negative effect on audit quality, audit complexity has a significant negative effect on audit quality, management intervention can negatively affect the relationship between time budget pressure and audit quality.

**Keywords:** Time Budget Pressure, Audit Complexity, Audit Quality, Management Intervention.

## INTRODUCTION

Auditing is part of the assurance service, so it is clear that auditing involves efforts to improve information for decision makers as well as the independence and competence of the party conducting the audit (the auditor). The increased quality of information due to audits will lead to increased trust from the public, in this case especially the parties with an interest in financial statements. The audit report (audit report) is a medium used by the auditor in communicating with the surrounding community and is used as a material for consideration by decision makers in assessing go public reports [1].

This requirement states that publicly listed companies are required to request an audit opinion from an external auditor on financial statements to be published in the wider community. This is done as a form of guarantee for public trust in the company.

Quality reduction in audits is defined as "a reduction in quality in the conduct of an audit that is carried out intentionally by the auditor". This quality reduction can be done through actions such as reducing the number of samples in the audit, conducting a shallow review of client documents, not expanding the examination when there are questionable items and giving an opinion when all required audit procedures have not been carried out completely.

In the world of auditing, we can find several cases where the results of the audit report contradict the reality that occurs in the company. One of the cases that occurred and became very famous in the auditing world was the 2001 Enron case where the company was involved in a case of boosting profits and hiding company debt by making the company off the books and bribing foreign officials [2]. Thus of course the company is very detrimental

to the public, especially for investors. In committing fraud, the company cooperates with an independent auditor, namely the party appointed as the examiner of the company's financial statements.

Audit quality is a complex issue, because there are so many factors that can affect audit quality, which depends on the point of view of each party. This makes it difficult to measure audit quality, so that it becomes a sensitive matter for the behavior of the individual conducting the audit. Theoretically, the quality of the auditor's work is usually related to qualifications of expertise, timeliness of completion of work, the adequacy of competent audit evidence at the lowest cost and his attitude of independence with clients.

One of the factors that affect the quality of auditors is time budget pressure. Time budget pressure causes individual stress that arises due to the imbalance of tasks and available time and affects professional ethics through the attitudes, values, concerns, and behavior of the auditor [3]. The time budget is carried out so that the inspection process that has been carried out is in accordance with the cost-benefit. An auditor who takes longer than normal time for a task is not a good thing in the eyes of superiors and does not have a good influence on his career advancement. The existence of a tight time budget creates pressure on the auditors who demand them to produce quality audit reports within the budgeted time, this is a challenge for the auditors.

Audit complexity is based on an individual's perception of the difficulty of an audit task, difficult for one person but easy for another [4]. The complexity of the audit is also the most important because of the tendency that the task of conducting an audit is a task that faces many complex problems [5] suggests there are three fairly basic reasons why tests of audit complexity for an audit situation need to be done. First, the complexity of this audit is suspected to have a significant effect on the performance of an auditor. Second, certain decision-making tools and techniques and exercises are thought to have been conditioned in such a way that researchers understood the

peculiarities of audit complexity. Third, understanding the complexity of an audit can help the company's audit management team find the best solution for audit staff and audit tasks.

Auditors are often faced with situations that require the auditor to reduce activities that reduce audit quality or commonly called reduced audit quality (RAQ). Based on [6] shows that auditors who feel limited and in a state of stress will be more or less disturbed and even tend to follow the will of management by giving opinions that are not in accordance with the facts. Symptoms like this are an indication of a decline in audit quality. This can be experienced by auditors, even large KAPs are still vulnerable to interference from management intervention [7].

The impact of decreasing audit quality can reduce public confidence in the accounting profession, especially in auditors in conducting audits, which in turn will affect the profession itself. A quality audit will be able to reduce the uncertainty factor related to the financial statements presented by management and continuous improvement of audit quality must be carried out [8]. Thus, it is only natural that audit quality becomes a topic that always gets deep attention from the accounting profession, especially for auditors, government, the public and investors.

In this regard, this study examines the variables that affect audit quality or in this case the independent variables, including time budget pressure, and audit complexity with management intervention as a moderating variable. This study refers to previous research conducted by I Made Dwi Kresna Ratha and I Wayan Ramantha entitled "The Effect of Due Professional Care, Accountability, Audit Complexity, and Time Budget Pressure on Audit Quality in Empirical Studies at eight public accounting firms in Denpasar". The results of this study indicate that due professional care and accountability have a positive effect on audit quality, while audit complexity and time budget pressure have a negative effect on audit quality.

Research conducted by Deviani and Badera entitled "Information Systems as Moderating the Effect of Audit Complexity and Time Budget Pressure on Audit Quality". This study shows the results, audit complexity and time budget pressure have a negative effect on audit quality, so audit quality will decrease further, in addition an understanding of information systems does not moderate the effect of audit complexity on audit quality, but an understanding of information systems moderates the effect of time budget pressure on audit quality. audit quality.

There are differences between this study and previous research. This research only examines the variables, namely Time Budget Pressure and audit complexity with management intervention as a moderating variable. The author wants to know whether time budget pressure and audit complexity have an influence on audit quality with management intervention as an intervening variable carried out at the Makassar City Public Accountant Office.

Based on the description above, the author takes the title "The Effect of Time Budget Pressure and Audit Complexity on Audit Quality at Makassar City Public Accounting Firms (Management Intervention as Moderating Variables)".

## Literature Review

Agency theory is one of the most important streams of accounting research today. Although agency theory underlies the fields of finance and economics, research on the basis of agency theory is also a study of behavior which is assumed to be that individuals act in their own interests [9]. Another assumption states that the entity is a place or meeting point for various types of contractual relationships between management, owners, creditors and the government. Therefore, agency theory focuses on the costs of monitoring and maintaining relationships between various parties. For example, audit is an instrument to show the accuracy of the company's financial statements. If the financial statements have been given an

unqualified opinion, then it is considered to be in accordance with generally accepted accounting principles. Therefore, the audit in this case seeks to provide assurance to external parties regarding the management of the company by management.

Agency theory and agency conflict are theories that support the influence of time budget pressured variables and audit complexity on audit quality. Agency theory is a theory that describes the relationship between the principal and the agent. The agent is the party that manages the company's assets based on the authority and trust given by the principal. Agents are also parties who participate in making decisions based on the interests of shareholders. Compared to the principal, the agent has more and better information about the company. This can lead to information asymmetry so that it will cause agency costs.

Existthree (3) hypotheses in this study, including:

H1: Time Budget Pressure has a negative effect on audit quality

Time budget pressure also affects audit quality where a high Time Budget Pressure can cause a decrease in the level of audit quality, because with a limited time budget, the auditor must tighten the

programs implemented to be able to adjust to the limited time, so that the audits carried out cannot carried out more thoroughly and carefully because of the budgeted time limit.

Time budget pressure is related to agency theory because time budget pressure is a limited time budget pressure to complete a job. Time budget pressure also affects audit quality where a high Time Budget Pressure can cause a decrease in the level of audit quality, because with a limited time budget, the auditor must tighten the programs implemented to be able to adjust to the limited time, so that the audits carried out cannot be carried out. carried out more thoroughly and carefully because of the time limit budgeted by the client which is an indication of management intervention.

[3] research shows that time budget pressure has a significant negative effect on audit quality, causing stress which in turn encourages auditors to violate audit standards and encourage unethical or dysfunctional behaviors that actually result in poor performance. auditors resulting in low audit quality. The researcher above states that budgetary pressure and time are expected to affect audit quality.

The results of research conducted by Trisna Deviani and I Dewa Nyoman Badera show that time budget pressure has a negative effect on audit quality. This is in line with the research of Putu Karina, which shows that time budget pressure also has a negative effect on audit quality

H2: Audit complexity has a negative effect on internal audit quality

Agency theory does not only focus on monitoring costs in financial statement audits but also focuses on establishing relationships between various parties. Research on agency theory is a special case of behavioral research [9]. The behavior of audit quality will increase as the complexity of the audit increases. This is in accordance with research conducted by Andini Ika Setyorini according to him, increasing task complexity can reduce task success. A task becomes more complex if there are inconsistent instructions and the inability of decision making to integrate information instructions [10]. The complexity of the audit makes an auditor behave dysfunctional, where when the more and more difficult tasks he can make himself skip some tasks or do these tasks not optimally so that his performance decreases.

H3: Time budget pressure has a negative effect on audit quality through management intervention.

This study has a relationship with agency theory (agency theory) which describes how the relationship between the principal and the agent. Agent which is a party given the authority such as an independent auditor by the principal (client) to examine and provide an opinion on the financial statements required by

the client in the interest of the company or organization.

Audit quality can be interpreted as whether or not an examination conducted by the auditor is good. Time budget pressure that can arise when the amount of time budgeted is shorter than the total time provided by the auditor is able to respond to this pressure by completing the work and sacrificing their own time and reporting the amount of time actually spent on an audit work better.

This can be affected as a result of client management intervention. Based on [6] shows that auditors who feel limited and in a state of stress will be more or less disturbed and even tend to follow the will of management by giving opinions that are not in accordance with the facts. Symptoms like this are an indication of a decline in audit quality.

Achievement of performance in accordance with the stipulated time budget is negatively related to the auditor's dysfunctional behavior, if the auditor finds it easy to achieve the time budget, it can encourage the auditor not to violate audit standards and unethical behaviors that make the auditor produce poor performance which results in on the low quality of the resulting audit [11].

H4: Audit complexity has a negative effect on audit quality through management intervention.

Audit quality can be interpreted as whether or not an examination conducted by the auditor is good. Time budget pressure that can arise when the amount of time budgeted is shorter than the total time provided by the auditor is able to respond to this pressure by completing the work and sacrificing their own time and reporting the amount of time actually spent on an audit work better.

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The complexity of the audit can also occur due to client management intervention. According to Andini Ika Setyorini increasing the complexity of the task can reduce the success of the task. A task becomes more complex if there are inconsistent instructions and the inability of decision-making to integrate information instructions as a result of management intervention. Pressure from clients such as personal, emotional or financial pressures can result in reduced auditor independence and can affect audit quality.

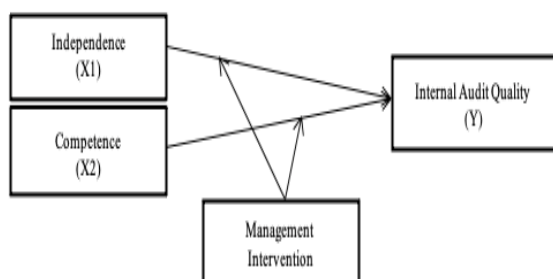


Figure 1: *Research framework*

## Methods

This research is a field study. Field study is research on a particular phenomenon that examines the correlational relationship between variables with natural research environmental conditions with minimal level of researcher involvement. The unit of analysis used in this study is the individual level because what is

being studied is the behavior of the internal auditors individually.

This research method uses multiple regression analysis. The type of data in this study is primary data. Primary data is data obtained directly from respondents. The data is in the form of data on respondents' assessment of time budget pressure, audit complexity on audit quality with management intervention as a moderating variable. The primary data was sourced from the Makassar City Public Accounting Firm (KAP) auditor through a questionnaire. The population in this study were all auditors at the Makassar City Public Accounting Firm. The number of auditors who became respondents was 35 people.

This study conducted an interaction test to test the moderating variable in the form of management intervention using Moderated Regression Analysis (MRA). The MRA equation model used:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_1Z + b_5X_2Z + e$$

Where :

Y = Audit Quality

a = constant

b1-5 = regression coefficient

X1 = Variable Time budget pressure

X2 = Audit Complexity Variables

Z = Management Intervention Variables

The variables in this study consist of time budget pressure and audit complexity which is the independent variable (X), internal audit quality which is the dependent variable (Y) and management intervention which is the moderating variable (Z).

Table 1. *Operation variable definition*

	Variable	Definition	Source
1	Time budget pressure(X1)	Time budget pressure is the effect of time budget pressure that can damage and disrupt the audit process carried out by an auditor which can result in the auditor making mistakes in the audit process because there is too little time to carry out the audit process and the auditor is not able to use time	Nurley (2010).

		efficiently in the audit process.	
2	Audit Complexity (X2)	Audit complexity is the auditor's perception of the difficulty of an audit task caused by limited capabilities and memory as well as the ability to integrate the problems that an auditor has.	Muhsyi (2013)
3	Audit Quality (Y)	Audit quality is an assessment of the process in carrying out audit tasks carried out by an auditor so as to produce an audit report that is assessed based on factors that can affect audit quality.	Nurley (2010).
4	Management Intervention (Z)	Client management interventions are pressures from clients such as personal, emotional or financial pressures that can result in reduced auditor independence and can affect audit quality.	Kurnia, et al (2014).

Table 2. Variable measurement

	Variable	Indicator	Measurement
1	Time budget pressure (X1)	Sosotukno (2003) and Prasita and Priyo (2007) namely: <ol style="list-style-type: none"> <li>1. Limited time on assignment</li> <li>2. Completion of work within the specified time</li> <li>3. Fulfillment of the target time during the assignment</li> <li>4. Focus on tasks with limited time</li> <li>5. Communicating the time budget</li> <li>6. Efficiency in the audit process</li> <li>7. Performance appraisal from superiors</li> <li>8. Time budget is the absolute decision of superiors</li> </ol>	Likert scale
2	Audit Complexity (X2)	Fanani and Chandrarin (2007), namely: <ol style="list-style-type: none"> <li>1. The auditor knows his ability to complete the task</li> <li>2. Clear plans and goals</li> <li>3. Assignment responsibilities</li> <li>4. Unclear task</li> <li>5. Job description</li> <li>6. Lack of tools to solve</li> </ol>	Likert scale
3	Audit Quality (Y)	Nurley (2010), namely: <ol style="list-style-type: none"> <li>1. Presenting audit findings accurately and objectively</li> <li>2. Report all auditee errors</li> <li>3. Completing audits in a timely manner</li> <li>4. Guided by the Professional Standards of Public Accountants (SPAP) and State Auditing Standards (SPKN).</li> <li>5. Be careful in every decision</li> <li>6. Recommendations according to the cause of the error</li> <li>7. Provide recommendations on audit reports that are clear and can be understood by the auditee.</li> </ol>	likert scale,

4	Management Intervention (Z)	<ol style="list-style-type: none"> <li>1. Company ownership structure</li> <li>2. The composition of the members of the board of commissioners who come from outside the company,</li> <li>3. The level of management attendance in every meeting between the audit committee and the external auditor</li> </ol>	Likert scale
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## Findings

### Classical Assumption Test

Test Normality can be done in the form of the Kolmogorov-Smirnov test (Kolmogorov-Smirnov Test). This testing technique is done by testing the residual value of the dependent variable and the independent variable. The following table presents the results of the normality test using the (Kolmogorov-Smirnov Test) as follows:

Table 3. *One-Sample Kolmogorov-Smirnov Test*

		Unstandardized Residual
N		35
Normal Parameters, b	mean	.0000000
	Std. Deviation	1.40682100
Most Extreme Differences	Absolute	.080
	Positive	.050
	negative	.080
Test Statistics		.476
asyp. Sig. (2-tailed)		.977c,d

a. Test distribution is Normal.

b. Calculated from data.

Source: SPSS output results, 2021

The results of the normality test (Kolmogorov-Smirnov Test) in the table above show that the residual significance value of the variable is  $0.977 > 0.05$  above 5%, meaning that  $H_0$  is accepted, meaning that the residual data is normally distributed.

Multicollinearity test aims to test the regression model there is a correlation between the independent variables. A good regression model should not have a correlation between independent variables, to test multicollinearity it can be seen from the VIF tolerance value. If the tolerance value is 0.10 or the VIF value is

10, it means that there is no multicollinearity. The results of the multicollinearity test can be seen in the following table:

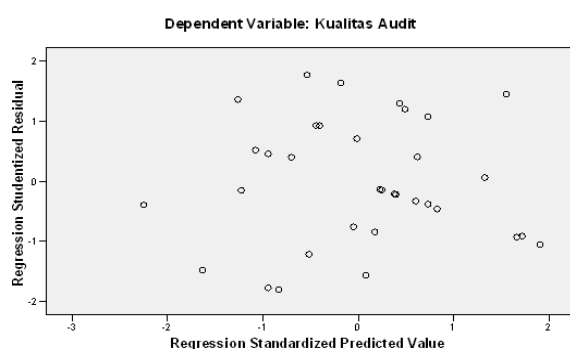
Table 4. *Multicollinearity test results*

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Time Budget Pressure	1.906	.066
	Audit Complexity	1.368	.181
	Management Intervention	1.395	.173

a. Dependent Variable: Audit Quality Source: SPSS output results, 2021

Based on the results of the regression in the table. 4 multicollinearity test results show that all variables have a tolerance value 0.10 and a VIF value 10 means that there is no multicollinearity. Heteroscedasticity test aims to test whether in the regression model there is no inequality of variance from the existing residual data. A good regression model is one that does not experience heteroscedasticity. To find out, it is done by analyzing the distribution of points on the scatterplot test.

Scatterplot



The results of the heteroscedasticity test in the image above show that there is a clear pattern and the points spread above and below the number 0 on the Y axis. This indicates that there is no heteroscedasticity in the regression

model, so the regression model is feasible to use to predict the dependent variable.

### Hypothesis Test

In processing data using linear regression, several steps were taken to determine the relationship between the independent variable and the dependent variable, namely through the t test. The results of the t test can be seen based on the table below:

Table 5. Test Results for Multiple Linear Analysis and Hypotheses

Variable	Regression Coefficient	T	Sig.	Information
constant	42.899			
$X_1$	-0.615	-2.860	0.002	Accepted
$X_2$	-0.567	-2,635	0.003	Accepted
$X_1.Z$	-0.150	-2,660	0.001	Accepted
$X_2.Z$	-0.667	-2,185	0.000	Accepted

R Square = 0.946

#### Effect of Time Budget Pressure on Audit Quality

Based on the table of test results obtained a significance of 0.002, the significance is smaller than 5% or  $<0.005$  and the regression coefficient is -0.615. This shows that the time budget pressure variable has a significant negative effect on audit quality. This shows that if the time budget pressure increases, the audit quality also decreases, meaning that with high time budget pressure, the auditor cannot carry out audit tasks in an efficient time and produce quality audits.

This research is in line with research by [3] which shows that time budget pressure has a significant negative effect on audit quality, causing stress which in turn encourages auditors to violate audit standards and encourage unethical or dysfunctional behaviors that lead to unethical behavior. Instead, it results in poor auditor performance which results in low audit quality.

#### The Effect of Audit Complexity on Audit Quality

Based on the table of test results obtained a significance of 0.003 then the significance is smaller than 5% or  $<0.005$  and the regression

coefficient is -0.567. This shows that the audit complexity variable has a significant negative effect on audit quality. Thus, this indicates that a high audit complexity will result in a decrease in audit quality changes. In this study, it is based on agency theory which is to find out all activities carried out by managers (agents) including in compiling financial reports and making accountability reports. The owner (principal) can assess the manager's performance through the financial statements made. This research is in line with research by [11] Audit complexity makes an auditor behave dysfunctional, where when the more and more difficult tasks he can make himself skip some tasks or do the task not optimally.

Management intervention can affect the relationship between time budget pressure and audit quality

Based on the table of test results obtained a significance of 0.001 then the significance is smaller than 5% or  $<0.005$  and the regression coefficient is -0.150. This shows that the management intervention variable has a negative effect on the relationship between time budget pressure and audit quality. Thus, this shows that management intervention can strengthen the relationship between time budget pressure and audit quality. If management intervention is high, audit quality will decrease with time budget pressure. Auditors with intervention from management in terms of time budget pressure, the resulting audit quality will decrease.

This is supported by previous research conducted by [6] showing that auditors who feel limited and in a state of stress will be more or less disturbed and even tend to follow the will of management by giving opinions that are not in accordance with the facts. Symptoms like this are an indication of a decline in audit quality.

Management intervention can affect the relationship between audit complexity and audit quality

Based on the table of test results obtained a significance of 0.000, the significance is smaller than 5% or  $<0.005$  and the regression



coefficient is -0.667. This indicates that the management intervention variable has a negative effect on the relationship between audit complexity and audit quality. Thus, this indicates that management intervention can strengthen the relationship between audit complexity and audit quality. If management intervention is high, audit quality will decrease with audit complexity. The more complex the audit task as a result of management intervention, the quality of the resulting audit will decrease.

This is supported by previous research conducted by Andini Ika Setyorini showing task complexity can reduce task success. A task becomes more complex if there are inconsistencies in the instructions and the inability of decision making to integrate information clues as a result of management intervention.

### Conclusion

Based on the results of research and discussion, it can be concluded that: (1) Time budget pressure significantly negative effect on audit quality. This shows that if time budget pressure increases, the quality of internal audit will also decrease, meaning that with high time budget pressure, the auditor cannot carry out audit tasks in an efficient time and produce quality audits; (2) Audit complexity has a significant negative effect on audit quality. Thus, this indicates that a high audit complexity will result in a decrease in audit quality changes; (3) Management intervention has a negative effect on the relationship between time budget pressure and audit quality. Thus, this indicates that management intervention can strengthen the relationship between time budget pressure and audit quality. Auditors with intervention from management in terms of time budget pressure, the resulting audit quality will decrease; (4) Management intervention has a negative effect on the relationship between audit complexity and audit quality. Thus, this shows that management intervention can strengthen the relationship between audit complexity and

audit quality. If management intervention is high, audit quality will decrease with audit complexity. The more complex the audit task as a result of management intervention, the quality of the resulting audit will decrease.

The results of this study are expected to be a support for the creation of a good quality audit report, through improvements and changes in attitudes and better performance in a positive direction by the auditors to be able to develop and advance the nation's economy and welfare. This study has obvious limitations due to the lack of empirical investigation. Further researchers are advised to expand the research sample by adding research objects, such as the Supreme Audit Agency and Public Accounting Firms throughout Indonesia.

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