

CHAPTER I

INTRODUCTION

1.1. Background

The listed companies must convey their financial report to show the users who are interested in financial decision making. The user can rely on the financial report if it has been audited. Without audit services, the management of the company cannot convince the user that the financial report contains trustworthy information. So the auditor is responsible for examining the fairness of financial report according to applicable accounting principles, then the auditor provides opinions on an audited financial report.

In determining the fairness of financial report requires audit judgment. According to Oana et al (2014), judgment is exercised by the auditor whose training, knowledge and experience have assisted in developing the skills to achieve reasonable judgments. The auditors must be careful in their judgment because it can influence the stakeholder decision (Mala & Chand, 2015).

More accurate audit judgment will produce a higher quality of audit results which the auditor is required to work in accordance with the auditor's professional standards and not in accordance with the client wishes. For instance is Enron scandal which is ranked the 7th largest company in the United States and Toshiba Corporation which is a reputable electronic company from Japan. They do fraudulent action on the financial statements of the company. The auditor is willing to cooperate with management in

manipulating the profit and liability to show that the company's performance is good so that it can attract investors.

To prevent the cases of audit failure, the auditor must be professional. Auditor's professionalism attitude can be reflected by the accuracy of auditor's judgment in the audit assignment. The judgment by auditor may be influenced by many factors. Jaafar (2018) stated that Individual factors influence professional judgment by an auditor in carrying out a review during the audit process. Individual factors that influence audit judgment among others are gender, audit experience, code of ethics, and Islamic religiosity.

Gender is one of the individual factors that influence audit judgment. This can be seen from the way they used and how they process information to work and make decisions. Hyde (2014) and Nelson (2015) stated that females are more risk-averse than males, guarantee further, and more sophisticated investigation. The difference of risk tendency and information processing of this nature shows that auditor's judgments might differ based on auditor's gender. Research conducted by Chung and Monroe (2001) conveyed that the gender has significant effects with an accuracy of judgment while (Jaafar, 2018) indicated that there is no relationship between gender and audit judgment by an auditor.

In addition to gender, another aspect that influences audit judgment is audit experience. The auditor's experience can be seen from the length of time an auditor works and the number of tasks or examinations carried out by the auditor. The longer an auditor engages in his profession, the auditor

will be assessed as more experienced, because the tasks carried out by the auditor repeatedly will provide an opportunity for the auditor to do it better (Siagian et al, 2014). According to Sila et al (2016), the auditor's experience affects positively on the auditor's professional judgment while Limen et al (2017) said that audit experience does not have significant effects on audit judgment.

A further factor that affects the audit judgment is the code of ethics. In their judgment, an auditor must also pay attention to the code of ethics because the existence of this code of ethics is used by the public to assess the extent in which an auditor has worked in accordance with ethical standards set by his profession. According to Pflugrath (2007), the presence of the code of ethics will give a positive impact on the quality of judgment due to the code of ethics can be used as an ethical framework, and ensure individuals will behave within organizational and social expectations. According to Naslmosavi et al (2015), the presence of a code of ethics can improve the quality of auditor's judgments while research result by Haron (2014) stated that auditor's ethic has a negative relationship with ethical judgment.

When associated with audit judgment, Muslim auditors must have a sense of responsibility both in the world that the results used by users of financial statements and in the hereafter that will be accountable directly to Allah SWT in every decision. In accordance with Adeel and Patel (2016), Islamic religiosity had significant effects on auditor's reliability

judgment while Ardiyanto (2018) conveyed that religiosity does not significantly influence audit judgment.

The most current accounting practices derive from a western perspective that embraces the concept of secularism. Secularism concept is based on the laws of nature. The world should be taken in accordance with one's feeling without considering destiny, God, and hereafter (Laitman, 2015). In contrast to Indonesia that is the most populous Muslim country in the world. In Indonesia, religion plays an important role (Zuhdi, 2018).

From the description above, the researcher interested to conduct research on **the influence of gender, audit experience, code of ethics, and Islamic religiosity on auditor's judgment**. This research due to an inconsistency of some prior results, the research of Islamic religiosity associated with audit judgment is still rarely found and also several limitations on prior research.

1.2. Problem Definitions

- a) Does gender have significant effects on auditor's judgment?
- b) Does audit experience have significant effects on auditor's judgment?
- c) Does the code of ethics have significant effects on auditor's judgment?
- d) Does Islamic religiosity have significant effects on auditor's judgment?

1.3. Research Objectives

This research aims to obtain empirical evidence about:

- a) The influence of gender on the judgment by an auditor
- b) The influence of audit experience on the judgment by an auditor
- c) The influence of the code of ethics on the judgment by an auditor
- d) The influence of Islamic religiosity on the judgment by an auditor

1.4. Research Benefits

This research is expected to provide benefits in the form of:

- a) For researcher

The results of this research are expected to provide insight and knowledge as well as be able to prove empirically about the influence of gender, audit experience, code of ethics and Islamic Islamic religiosity on audit judgment.

- b) For the public accounting firm

This research is expected can contribute to auditors in the public accounting firm as a reference in determining the factors that influence audit judgment.

- c) For reader and others

The results of this research are expected to add insight and knowledge of the reader in the field of the audit so that this research can be used as a reference for further research.

1.5. The Scope of Research

This research was conducted to analyze the factors that influence the auditors in their judgment. This study focused on individual factors such as gender, audit experience, code of ethics, and Islamic religiosity.

1.6. Writing Systematic

The discussion in this study is described in five chapters with a systematic discussion to make it easier for readers in understanding this research. Writing systematic gives an overview of each chapter as follows:

CHAPTER I INTRODUCTION

The introduction will discuss the general description that becomes the basis of this research. It consists of background, problem definition, research objectives, research benefits, research scope, and writing systematic.

CHAPTER II LITERATURE REVIEW

Literature Review discusses the theory that has the relationship with the research problem. This is useful as a rationale for solving problems. Moreover, this chapter also looks previous research, theoretical framework, and the hypothesis that will be tested in this research.

CHAPTER III RESEARCH METHODS

Research method provides an overview of the plan for conducting the research. This chapter includes the research design, research model, operational definition and research variable, population and sampling, data and data collection method, and analysis method.

CHAPTER IV RESULTS AND DISCUSSION

This chapter will discuss the description of the research object and analysis as well as discussion of the research results regarding the influence of gender, audit experience, code of ethics, and Islamic religiosity on audit judgment.

CHAPTER V CONCLUSIONS

Conclusions are drawn from the research results, limitations of this research, and also the suggestions for further research.

