The Association of Time Budget Pressure and Reduced Audit Quality (RAQ) Behavior
(Study among Indonesian Auditors)

ANNISA PERSIANI
TJIPTOHADI
SAWARJUWONO
Universitas Airlangga

Abstract: Dysfunctional behaviors such as premature sign-off, reducing the scope of work performed, making superficial reviews, failing to research an accounting principle, failing to obtain sufficient evidence and underreporting of audit time have consistently shown the serious negative consequences in the auditing profession. Some of the previous researches in a similar study suggested that time budget pressure is associated with the occurrence of those behaviors. The objectives of the research are to examine and explain the effect of time budget pressure toward reduced audit quality (RAQ) behaviors among Indonesian auditors. This research is using a quantitative method. A questionnaire is used to collect data. The sample is 78 auditors at 17 Public Accounting Firms in 5 cities in Indonesia. The result indicates that the time budget pressure has a significant influence towards RAQ behaviors. The results suggest that RAQ behavior does occur in Indonesia accounting firms, particularly at staff and senior level. Further questions examined why RAQ practices were used and what areas of the audit were likely to be subject to these practices.

Keyword: Time Budget Pressure, Reduced Audit Quality Behavior, Underreporting of Audit Time, Dysfunctional Behavior

* Corresponding author: annisa.persiani@gmail.com
khususnya di tingkat staf dan senior. Pertanyaan lebih lanjut meneliti mengapa praktek RAQ digunakan dan bidang audit mana yang kemungkinan akan tunduk pada praktik-praktik ini.

**Keyword:** Tekanan Anggaran Waktu, Perilaku Kualitas Audit Berkurang, Pelaporan Waktu Audit, Perilaku Disfungsional

1. **Introduction**

In recent years, Indonesia has made significant efforts to improve the quality of financial reporting. The adoption of the International Financial Reporting Standards (IFRS) and International Standards of Auditing (ISA) has been made to strengthen the institutional framework of accounting and auditing. To support the implementation of Indonesian auditing standards, there is also a need to improve the quality of the professional public accountants.

The quality of audit work can be evaluated based on how the auditor executes audit program steps. However, if some of the audit fieldwork is not performed correctly and inappropriately described in the audit working papers, the chances of inappropriate audit opinion will increase. Nevertheless, quality judgment will be achieved if auditors comply with applicable professional standards and the firm's own standards, which makes it specifically sensitive to the behavior of the auditors that would be reflected in the auditing engagement such as in the audit work and the possible errors made by auditors.

Auditors are responsible for ensuring that audit tasks are complied with generally accepted auditing standards and completed within the budget allocated by the accounting firm. When the accounting firm allocates an inadequate number of time budgets, it would constraint the implementation or completion of specific audit procedures which also would give pressure to auditors to complete their work. According to Otley and Pierce (1996) auditors will behave unprofessionally under time budget pressure and are more likely to be involved in Reduced Audit Quality (RAQ) behaviors. Herrbach (2001) defines this act like the poor execution of an audit procedure that reduces the level of evidence gathered for the audit, so that collected evidence is unreliable, false or inadequate quantitatively or qualitatively.
There have been many studies that had already examined RAQ behaviours (Kelley and Margheim 1990; Raghunathan 1991; Azad 1994; Otley and Pierce 1996; Shapeero et al. 2003; Mohd Nor et al. 2010; Paino et al. 2011; Kelley and Seiler 1982; Herrbach 2004; Akers et al. 1998) including premature signing-off, making superficial reviews of client documents, reducing scope of work performed, failing to research an accounting principle, failing to obtain sufficient audit evidence and underreporting of audit time.

Moreover, there have been many discussions about the integrity and objectivity of the auditing profession especially after the highly publicized collapse of Enron. In Indonesia, according to the Report on the Observance of Standards and Codes (ROSC) that reported by World Bank and International Monetary Fund, auditors sometimes do not apply necessary procedures and completely rely on management representation regarding fair values, impairment of assets, contingent liabilities, accounting estimates, etc. Also, the auditors are generally found to accept valuation reports, actuarial reports, and other expert opinions/reports without evaluating whether the expert has the necessary competence, capabilities, and objectivity for the auditor’s purposes.

ROSC’s report provides evidence that RAQ behaviors are highly problematic in the auditing profession and should trigger a warning alarm to regulatory bodies, particularly in Indonesia. This may show an increasing trend in auditors involved in such unprofessional behaviors which could have a detrimental effect specifically on the audit opinion. This will be more responsible for the accounting firm, as an independent institution to be trusted by the stakeholders of financial statements to express an opinion on the fairness in all material respects of financial statement in accordance with general accepted accounting principles in Indonesia and also responsibility for the accounting firm to minimize the occurrence and acceptance of RAQ behavior that conducted by their auditors, so that the financial information audited will be both reliable and relevance.

For that reason, the motivation of this research is to give a better understanding about the unfavorable impact of time budget pressure on auditor’s behavior and also to
investigate whether there is a tendency for auditors in accounting firms in Indonesia to use RAQ behavior. This study will examine the influence of time budget pressure towards reduced audit quality behavior among Indonesian auditors. This study will also conduct further research about the reasons and areas that respondents take to engage RAQ behaviors. To do so, this study will conduct a quantitative approach to determine the relationship between time budget pressure and RAQ behavior. Data were obtained by spreading out the questionnaire to the 17 accounting firms in 5 cities in Indonesia. To analyze the data, the validity and reliability testing of the instruments will be conducted first then followed by hypothesis testing with regression analysis and classical assumption testing.

The model has tested 78 auditors at staff and senior levels in five cities in Indonesia. Results of this study suggested that time budget pressure has consistently been significant to RAQ behaviors and it is consistent to the results that found by Coram et al. (2003), Otley and Pierce (1996), Kelley and Margheim (1990) and Azad (1994). Fundamental theory that support the hypothesize, the research methodology used in this study and the results will be examined further in the next paragraph.

2. Literature Review

2.1 Reduced Audit Quality Behavior

Reduced Audit Quality (RAQ) behavior defined by Herrbach (2001) as the poor execution of an audit procedure that reduces the level of evidence gathered for the audit, so that the collected evidence is unreliable, false or inadequate quantitatively or qualitatively. RAQ behavior occurs when auditors do not properly execute audit procedures required to complete their tasks. This behavior not only will have a negative effect on individual auditors (e.g., in performance evaluation), it also threatens the outcome of the engagement and the validity of the audit opinion thus affecting the overall firm’s performance and users’ economic decisions (Paino et al. 2011). RAQ behavior is viewed as necessary in situations where organizational and/or personal goals cannot be achieved through typical means of performance. Therefore,
auditors having a lower perception of their performance level are expected to exhibit a higher acceptance of RAQ behavior (Donnelly et al. 2003).

Previous studies have attempted to measure the incidence of RAQ behavior by focusing on three types of behavior: premature sign-off, under-reporting of time and other audit quality reduction behavior. The consequences of such behavior are therefore potentially serious since it interferes directly with the control system which supports the final audit opinion. Although RAQ behavior does not necessarily lead audit firms to issue inappropriate audit opinion, however, it would increase the audit risk (Coram et al. 2003), in the sense that the probability of firms issuing the wrong opinion is higher.

There have been many studies that had already examined RAQ behaviours (Kelley and Margheim 1990; Raghunathan 1991; Azad 1994; Otley and Pierce 1996; Shapeero et al. 2003; Mohd Nor et al. 2010; Paino et al. 2011; Kelley and Seiler 1982; Herrbach 2004; Akers et al. 1998) including premature signing-off, making superficial reviews of client documents, reducing scope of work performed, failing to research an accounting principle, failing to obtain sufficient audit evidence and underreporting of audit time.

Premature sign-off is defined as the audit personnel signing-off on audit program steps before completing one or more of the required audit procedures (Raghunathan 1991). A premature audit sign-off occurs when an auditor documents the completion of a required procedure that is not covered by other audit procedures, without performing the work or noting the omission of the procedures, unlike underreporting (where the work is performed), premature sign-off directly affect audit quality and violate professional standards (Shapeero et al. 2003). Raghunathan (1991) has studied the existence of premature sign-off among auditors of four of the Big Eight accounting firms in the United States, and he found that 55% of the respondents admitted to premature sign-off. Those studies show a high incidence of premature sign-off compared to Mohd Nor et al. (2010) with only 15.9%. According to Raghunathan (1991), a commonly quoted outcome of time budget pressures is premature sign-off.
Reducing the amount of work performed is also considered as RAQ behavior which already investigated by Kelley and Margheim (1990). They found 31% of respondent engaged with this behavior, this number is higher than Mohd Nor et al. (2010)”s study with only 20.5%. Reducing the amount of work performed occurs when auditors do less work on an audit work than normally would have been done (Otley and Pierce 1996).

The other RAQ behavior is making a superficial review of the client’s documents. Making superficial review occurs when the auditor gives a lack of attention of validity and accuracy of clients documents (Silaban 2009). Mohd Nor et al. (2010) found 45.5% of respondents admitting to engaging this behavior, and this number shows a high incidence of RAQ behavior compared to Kelley and Margheim (1990)”s study with only 25% of respondents admitting to engaging in making a superficial review.

Failing to research an accounting principle is considered as a RAQ behavior that occurs when auditors do not examine the suitability of the accounting principles that is applied by the client to the generally accepted accounting principles. This behavior is so contrary to the Standard Profesional Akuntan Publik (SPAP) SA Section 150, Standards of Reporting, that state the report shall state whether the financial statements are presented following generally accepted accounting principles (GAAP). Mohd Nor et al. (2010) found a low incidence in this behavior, with only 13.7% respondents admitted to engaging in failing to research an accounting principle.

The other RAQ behavior which directly impacts on audit quality is failing to obtain sufficient evidence. According to Silaban (2009) failing to obtain adequate evidence is when the auditors didn't”t perform the entire sample as designed in the audit program, no further investigation of the uncertain item and not expand the scope to test the suspicious transaction or post, and using the client”s explanation to replace the evidence that cannot be obtained during the audit work.

An auditor works within economic limits that dictate that sufficient audit evidence must be obtained within a reasonable time and at a reasonable cost. Thus, the auditor is frequently faced with a decision as to whether the additional time and cost will
produce corresponding benefits regarding the persuasiveness of the evidence obtained. Mohd Nor et al. (2010) has conducted the study in RAQ behavior, found only 13.7% of their respondents admitted to engaging in failing to obtain sufficient evidence. Compared to Coram et al. (2003)’s study, they found 57.1% of respondents involved in this behavior.

Underreporting of audit time has also been shown as dysfunctional behavior that indirectly impact on audit quality. According to Holmes and Burns (1979: 216), most public accounting firms require each member of their professional staffs to maintain a daily record of time worked and reimbursable expenses incurred. These personnel record-keeping policies usually require a record of hours worked regarding the hours spent in various engagements and the type of work performed. Engagement time records are usually designed to accumulate actual time charges regarding both staff members and the various segments of work done. Comparisons of actual time spent on various segments of the audit to budgeted time and the actual status of work provide the in-charge auditor a useful means for monitoring and controlling the progress of an audit. Such records also facilitate compliance with the first generally accepted auditing standard of field work (planning and supervision).

Public accounting firms use chargeable hours to bill clients, set time budgets for assignments and evaluate employee performance (Akers et al. 1998). A firm’s ability to successfully perform these functions depends on the accuracy of the timesheets filled out by auditors. However, the results of a study conducted by Akers et al. (1998) suggest that a majority of accountants have intentionally underreported their chargeable hours, either by not recording time worked or by shifting chargeable hours to non-chargeable categories.

Underreporting may also affect a firm’s ability to assess employee performance accurately. Lightner et al. (1983) in Shapeero et al. (2003) found that underreports believed would lead to better performance evaluations, supervisor recognition of competency, and increased job security. However, when employees fail to report all of their chargeable hours, the firm’s ability to accurately assess employee performance is undermined. Similar to Lightner et al. (1983), Akers et al. (1998) state there are
problems for both the CPA firm and the individual accountant that result from underreporting time. Problems related to the firm from underreporting of audit time include assist in the preparation of the budget for the next year, actual time can be used in negotiating next year”’s fees, bill client additional fees, etc. and problems related to the individual accountant include poor morale and lower productivity, which could result in poor evaluations which eventually, will lead to turnover. Ultimately, the accountant”’s problems become the firm”’s problems.

2.2 Time Budget Pressure

Budget-related time pressure can occur when the budgeted amount of time is less than total available time, and the auditor can respond to the pressure by completing the work in their own personal time and underreporting the amount of time spent on the audit task (Paino et al. 2011). In general, audit time budget pressure occurs when an audit firm allocates an inadequate number of hours for auditors to complete specified audit procedures (Margheim et al. 2005). Auditors are responsible for ensuring that audit tasks are completed within the budget allocated by management and following auditing standards, regulations, and rules. The emphasis which the audit firm places on meeting time budgets can influence individual auditor behavior because auditors see time budget achievement as being critical for performance evaluation (Otley and Pierce 1996).

Once a time budget is set, it becomes a performance goal, and auditors are expected to meet it. Undue emphasis on meeting budgeted time may create pressure on auditors in performing audit assignments. This, in turn, may lead to negative behavior similar to that exhibited by independent auditors (Mohd Nor et al. 2010). Otley and Pierce (1996) argued that auditors would behave unprofessionally under time budget pressure and are more likely to be involved in dysfunctional behavior. A similar finding has been found in a recent study conducted by Coram et al. (2003), the 60% of auditors surveyed who admitted to engaging in RAQ behavior, almost 80% of the respondents cited time budget pressure as a factor in committing these acts.
As the time budget pressure increased, auditors’ performance decreased significantly (McDaniel 1990), thus suggesting that as auditor’s perception of budget attainability decreased, the higher the possibility that auditors will engage in unprofessional behaviors. Similar to Raghunathan, Otley, and Pierce (1996) argue that auditors will behave unprofessionally under time budget pressure and are more likely to be involved in dysfunctional behavior. The result of Azad (1994) confirms that time budget induces auditors to react negatively when conducting their audit work through premature sign-offs, underreporting of audit time and overruling audit programs. This is consistent with the results of Coram et al. (2003), 63% of respondents who admitted RAQ behaviors were asked why they had done so. 77.8% of them choose the time budget pressure as the main factor of doing RAQ behavior.

According to the previous researches, their findings suggest that RAQ behavior may occur when there is a time budget pressure within their firm. Therefore, this study expects to find whether there is an association between time budget pressure and RAQ behavior.

Therefore, the following hypothesis will be tested:

**H1: There is an association between time budget pressure and the occurrence of RAQ behaviors**

### 3. Research Methodology

This study is conducted in a quantitative approach. The questionnaire used in this study was based on the questionnaire used by Coram et al. (2003), Mohd Nor et al. (2010) and Silaban (2009). The questionnaire was divided into two parts. The first part requested biographical information about the participant. The second part consisted of questions that used a Likert-type scale ranging from 1 to 5 to measure responses and also asked the participant to tick their responses in the appropriate boxes.

The sample for this study came from contacted accounting firms which are willing to participate in this study; there are 17 accounting firms. Respondent for this study consisted of staff and senior auditors which are directly related to the process of gathering audit evidence. Staff and senior auditors were selected mainly because
previous studies had found a high incidence of RAQ behaviors and URT in these levels (Otley and Pierce 1996; Kelley and Seiler 1982; Mohd Nor et al. 2010; Coram et al. 2003). 107 Questionnaires were spread out to 17 accounting firms, and 99 responses were received. Because of the uncompleted answer in some questionnaires, only 78 responses that will be examined in this study. Of the responses 62 (79.5%) came from junior auditor and 16 (20.5%) from senior auditor. The male-female distribution was 51.3% - 48.7%. 51.3% had less than two years of audit experience, 33.3% had 2-4 years, and 15.4% had five years or more experience.

Operational Definition and Measurement:

a. Time Budget Pressure

In general, audit time budget pressure occurs when an audit firm allocates an inadequate number of hours for auditors to complete specified audit procedures (Margheim et al. 2005; Mohd Nor et al. 2010). According to that independent variable in this study is operationalized by asking the respondent about the adequacy of time budget allocated within their firm and also their perception about time budgets within their firms which were adapted from Otley and Pierce (1996). This independent variable is also operationalized by asking the respondent about how often respondents feel that time budget as a constraint to the implementation or completion of specific audit procedures.

b. Reduced Audit Quality Behavior

RAQ behavior occurs when auditors do not properly execute audit procedures required to complete their tasks. RAQ behavior operationalized by premature signing-off, making superficial reviews of client documents, reducing the scope of work performed, failing to research an accounting principle, failing to obtain sufficient audit and Underreporting of Audit Time.

To analyze the data this research used Regression Analysis by using SPSS version 18 by conducting statistic description, classical assumption test, and hypothesis testing. The regression analysis models for this research are as follow:
RAQ = $\beta_1$ TBP + $e_1$ ................................................................. (1)

Where:
RAQ = Reduced Audit Quality Behavior
TBP = Time Budget Pressure
$\beta_n$ = regression coefficients
$e_n$ = unexplained variance

In analyzing, there are two things to note, the meaning of the correlation and the significant result of correlation (Santoso 2000). If the coefficient of correlation > 0.5 it means there is a strong correlation between each indicator and if the coefficient < 0.5 it means there is a weak correlation between each indicator. While the significant result of the correlation is aimed for decision making (based on probability). If the probability is < 0.05, then there is a significant correlation between each indicator, and if the probability is > 0.05, then there is no correlation between each indicator.

4. Results
4.1 Descriptive Analysis

When respondents were asked how they describe the time budget that they face within their firm, 46.2% of respondents answered the time budget was attainable with reasonable effort and followed by attainable with the considerable effort with 29.5% and only 7.7% of respondents admitted that the time budget is very easy to attain. While, when respondents were asked how often they feel the time budget within their firm as a constraint to the completion of specific audit procedures. Above half of the respondent answered "sometimes", followed by 30.8% of respondents answered "often" and only 5.1% answered "never" they feel time budget as a constraint to the completion of certain audit procedures. Based on table 2, respondents were asked how often they think the time budget allocated within their firm is generally inadequate. Above half of the respondents or 56.4% admitted that the time budget in their accounting firm is inadequate "sometimes", whereas about 28.2 % of respondents admitted the time budget is "often" inadequate.
As Revealed in table 2 that about 80% of respondents admitted that time budget as a constraint to the implementation of specific audit procedures at least "sometimes" and they also admitted that the time budget in their firms was inadequate at least "sometimes". Margheim, Kelley, and Pattison”s (2005) argument appears to add weight to these results that the time budget pressure occurs when an audit firm allocates an inadequate number of hours for auditors to complete specified audit procedures.

Table 1
Time Budget Attainability

How would you describe the time budget that you faced within your firm?

<table>
<thead>
<tr>
<th>Response</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very easy to attain</td>
<td>7,7% 6</td>
</tr>
<tr>
<td>Attainable with reasonable effort</td>
<td>46,2% 36</td>
</tr>
<tr>
<td>Attainable with considerable effort</td>
<td>29,5% 23</td>
</tr>
<tr>
<td>Very tight, practically unattainable</td>
<td>15,4% 12</td>
</tr>
<tr>
<td>Impossible to achieve</td>
<td>1,3%</td>
</tr>
</tbody>
</table>

Sumber: output SPSS

Table 2
Time Budgets

<table>
<thead>
<tr>
<th>TBP</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
<th>Nearly Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>How often do you feel the time budget within your firm as a constraint to the completion of certain audit procedures?</td>
<td>5,1%</td>
<td>2,6%</td>
<td>59%</td>
<td>30,8%</td>
<td>2,6%</td>
</tr>
<tr>
<td>How often do you think the time budget allocated within your firms generally inadequate?</td>
<td>3,8%</td>
<td>7,7%</td>
<td>56,4%</td>
<td>28,2%</td>
<td>3,8%</td>
</tr>
</tbody>
</table>

Sumber: output SPSS
RAQ behaviors were operationalized by premature sign-off, reducing the scope of work performed, doing a superficial review, failing to research an accounting principle and failing to obtain sufficient evidence. In this question, respondents were asked when they are under so much pressure that they were tempted to speed up, what typical behaviors they would engage. On a positive note, all of these forms of RAQ behaviors had a very low percentage of occurrence and between 14.1% - 41% of respondents admitted that they rarely engage these RAQ behaviors. These results appear lower than the results of Coram et al. (2003), where between 42% - 50% of respondents said RAQ behaviors never occurred.

The percentage of auditors who reported to "often" or "always" engaging in the following RAQ behaviors are: 29.4% for premature sign-off; 18% for reduced scope of work performed; 47.4% for making superficial review; 18.5% for failing to research accounting principle; and 24.3% for failing to obtain sufficient evidence. Most of the respondents (ranging from 21.8% to 52.6%) admitted "at least sometimes" to engaging in RAQ behaviors. This study shows a low incidence of RAQ behaviors among the auditors compared to Coram et al. (2003) and Mohd Nor et al. (2010) with 63% and 68.2% of auditors admitting to engaging in RAQ behaviors. According to Donelly et al. (2003), RAQ behavior is viewed as necessary in situations where organizational and/or personal goals cannot be achieved through typical means of performance. Therefore, auditors having a lower perception of their performance level are expected to exhibit a higher acceptance of RAQ behavior.

Underreporting were operationalized by underreporting time by working on personal time, shift time to a nonchargeable category and shift time to a different client. The percentage of auditors who reported "often" to "nearly always" engaging in the following underreporting is 34.6% for underreporting by working on personal time; 33.3% for shift time to a nonchargeable category; and 29.5% for shift time to a different client. In this question, respondents were asked when they feel a time budget is unattainable, what typical behaviors they would engage. From table 4.9 it is clear
that work harder and charge all time properly is a way of accommodating extra work when a time budget is unattainable, with 39.7% of respondents suggested that this occurred “often”.

Table 3
Reduced Audit Quality Behavior (RAQB)

<table>
<thead>
<tr>
<th>RAQ</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
<th>Nearly Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premature sign-off</td>
<td>12.8%</td>
<td>35.9%</td>
<td>21.8%</td>
<td>25.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Reducing scope of work performed</td>
<td>9%</td>
<td>20.5%</td>
<td>52.6%</td>
<td>16.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Making superficial review</td>
<td>3.8%</td>
<td>14.1%</td>
<td>34.6%</td>
<td>39.7%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Failing to research an accounting principle</td>
<td>14.1%</td>
<td>41%</td>
<td>26.9%</td>
<td>14.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Failing to obtain sufficient evidence</td>
<td>7.7%</td>
<td>29.5%</td>
<td>38.5%</td>
<td>19.2%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Under-report time by working on personal time</td>
<td>5.1%</td>
<td>12.8%</td>
<td>47.4%</td>
<td>26.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Shift time to a non-chargeable category</td>
<td>6.4%</td>
<td>29.5%</td>
<td>30.8%</td>
<td>25.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Shift time to a different client</td>
<td>15.4%</td>
<td>24.4%</td>
<td>30.8%</td>
<td>21.8%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Sumber: output SPSS

Table 4
Reasons for RAQ

<table>
<thead>
<tr>
<th>Reason</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate Number of Time Budget</td>
<td>46.1%</td>
</tr>
<tr>
<td>Work is low-risk</td>
<td>43.5%</td>
</tr>
<tr>
<td>Work is boring</td>
<td>23.1%</td>
</tr>
<tr>
<td>Peer Pressure</td>
<td>34.6%</td>
</tr>
</tbody>
</table>

Sumber: output SPSS

Based on the table above, respondents were given four choices about what was the main reason when they do those behaviors. It can be seen that two main reasons that get high responses were an inadequate number of time budget and the work is low risk with 46.1% and 43.58%. This was consistent with the results of Coram et al. (2003),
where 77.7% for inadequate of time budget and 96% for the work is a low risk were the main reasons why auditors admitted to engaging RAQ behaviors. The high number of response to “inadequate number of time budget” as a reason for RAQ behaviors is a concern of this study. This section appears to add weight to the result in this study because when respondents were asked in question X1.1, X1.2 and X1.3 about the time budget pressure, above a half respondents admitted that there was a time budget pressure within their firm, and it seems associated with the occurrence of RAQ behaviors as the results of this study revealed that time budget pressure has a significant influence towards RAQ behaviors. The high response also found in "the work is low-risk" suggests that if auditors are going to engage RAQ behaviors, they are likely to do it in an area where they perceive the risk of an undetected error as low (Coram et al. 2003). However, premature sign-off, reducing the scope of work performed, making a superficial review, failing to research an accounting principle and failing to obtain sufficient evidence are unacceptable audit practices in most circumstances, and a judgment by auditors that the section of audit work is lower risk than planned should not justify these actions. An alternative theory by Coram et al. (2003) for the great justification of RAQ behaviors based on risk is that auditors are making ad hoc judgments about the level of risk for various components of the audit. If this is the case, perhaps junior auditors need more education about the importance of their work in performing the overall audit opinion.

Another reason to be a concern in this study was peer pressure. About 34.6% admitted peer pressure was the reasons they engage those behaviors. Ponemon (1992) describes peer pressure occurs when the auditor may be told to underreport by a superior or may perceive other members of the same audit firm are underreporting or may view his or her own performance as insufficient or may perceive other members of the audit team as being more skilled in performing assigned tasks. It can be concluded that when auditors perceive that their performance is insufficient compared to the others, they see underreporting as a "good" way to represent their performance as good as the other members” performance in audit work or they may choose RAQ behaviors to be seen that their audit work is efficient, whether they do it by reducing
the scope of work performed or no further investigation about the awkward-items in
the audit work.

Table 5
Areas Subject To RAQ

<table>
<thead>
<tr>
<th>Areas</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Testing</td>
<td>37,2</td>
</tr>
<tr>
<td>Stock</td>
<td>25,6</td>
</tr>
<tr>
<td>Creditors</td>
<td>5,1</td>
</tr>
<tr>
<td>Debtors</td>
<td>10,2</td>
</tr>
<tr>
<td>Bank and Cash</td>
<td>20,5</td>
</tr>
<tr>
<td>Completion of Audit</td>
<td>30,7</td>
</tr>
</tbody>
</table>

Sumber: output SPSS

Respondents in this study were asked about which areas of audit work that
indicates the RAQ would occur. The areas that most likely to suffer from RAQ
behaviors were compliance testing with 37,2%, 25,6% for stock, 5,1% for creditors,
10,2% for debtors, 20,5% for bank and cash and 30,7% for Completion of the audit.
These results were consistent with Coram et al. (2003) where compliance testing
receives the highest response with 63% and followed by completion and creditors with
48,1%. Although "compliance testing" and "completion of audit" are not "areas" of the
audit, they were included in the question as they are clearly sections of work that
auditors would perceive as being separate and requiring specific types of work steps.

A concern highlighted in this study was the 37,2% of respondents who admitted
to RAQ practices in the compliance testing. The results from ROSC (2011) seems to
support this study where more than 400 accounting firms in Indonesia, only a few
firms appear to have a high level of compliance with the applicable auditing standards.
A possible explanation for the high response to this question is that when auditors are
struggling to meet the time budget, the superficial review of the compliance testing
may be needed by auditors.

Another concern highlighted in this study was the 30,7% of respondents who
admitted to RAQ practices in the completion of the audit. This part of the audit
includes the final analytical review, review for subsequent events and finalizing the
audit file. A possible explanation for the high response to this question is that the participants interpreted it as the process of tidying up the audit file by filling in all the completion schedules rather than dealing with higher-level issues such as "going concern", "accounting treatment disputes" or "audit qualifications" (Coram et al. 2003). This would be consistent with the findings of Rhode (1978) who suggested that tests are only requiring "ticks" as audit evidence are more prone to irregular auditing practices (Coram et al. 2003). The relative inexperience of the participants suggests that they may not have been familiar with the higher level aspects of the audit completion process.

Based on linear regression analysis, regression coefficient is positive with a level of significance lower than 0.05 which means when time budget pressure increases it will influence auditors to engage RAQ behaviors during audit work, significantly. This result is consistent with a study that conducted by Coram et al. (2003), Otley and Pierce (1996) and Kelley and Margheim (1990) where time budget pressure is positively associated with RAQ behaviors. Further, the author traces that over 90% of the respondents in this study admitted that they engage at least one of those RAQ behaviors. This result appears to be consistent with Otley and Pierce (1996) who found that 12% of respondents never indicated for all five types of RAQ behaviors and Coram et al. (2003) found the high percentage that 37% of auditors admitted never engaged in any RAQ behaviors.

Mohd Nor et al’s (2010) argument seems to add weight to this result that it is easy to understand why auditors preferred to behave unprofessionally under time budget pressure because when auditors are struggling to meet the budget which could have a destructive effect on their performance evaluation, many auditors see RAQ behavior as a way out. Consistent with studies performed overseas (Australia, Ireland, Malaysia, and California) it seems that in Indonesia there is a fairly high level of time-budget pressure on auditors as revealed in table 2 and this pressure appears to be associated with RAQ behaviors.
Table 6
Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.274</td>
<td>.305</td>
<td>.899</td>
</tr>
<tr>
<td>TBP</td>
<td>.866</td>
<td>.099</td>
<td>.707</td>
</tr>
</tbody>
</table>

Sumber: output SPSS

Results of this study also supported by the result that reported by the World Bank and International Monetary Fund on "Report on the Observance of Standards and Codes (ROSC) Indonesia". More than 400 accounting firms in Indonesia, only a few firms appear to have a high level of compliance with the applicable auditing standards. Interviews with a few practicing auditors of all sizes of firms and discussions with the audit practice reviewers of the Pusat Pembinaan Akuntan dan Jasa Penilai (PPAJP), revealed some essential compliance gaps in auditing practices. Some of these compliance gaps are as follows:

1. Audit planning. Many auditors in Indonesia do not seem to appreciate the importance of proper audit planning and often conduct audits without developing an appropriate audit plan.

2. Documentation. It appears that among the majority of practicing auditors there is a lack of understanding of what is to be documented and how. Mostly in the audit of small and medium-sized enterprises, documentation practices fail to provide audit evidence to support the audit opinion. Some knowledgeable stakeholders stated that in many cases, even when auditors performed the appropriate procedures, they might not document them in their working papers.
3. Fraud. Many practicing auditors do not appear to make best efforts to properly apply the procedures for detecting fraud while conducting an audit exercise. The auditors, in general, need to undergo practical training to understand the essence of relevant international standards and be able to use the fraud risk indicators.

4. Going concern. In some audits, there is a lack of procedures to obtain sufficient audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements.

5. Related parties. In some audits, the auditors do not appear to be serious about applying rigorous procedures to identify, assess, and respond to the risks of material misstatement arising from the audited entity’s failure to appropriately account for or disclose related party relationships, transactions, or balances.

6. Other issues. Auditors sometimes do not apply necessary procedures and completely rely on management representation regarding fair values, impairment of assets, contingent liabilities, accounting estimates, etc. Also, the auditors are generally found to accept valuation reports, actuarial reports, and other expert opinions/reports without evaluating whether the expert has the necessary competence, capabilities, and objectivity for the auditor’s purposes.

This report provides evidence that RAQ behaviors are highly problematic in the auditing profession and should trigger a warning alarm to regulatory bodies, particularly in Indonesia. This may show an increasing trend in auditors involved in such unprofessional behaviors which could have a detrimental effect specifically on the audit opinion. Although RAQ behavior does not necessarily lead audit firms to issue inappropriate audit opinion, however, it would increase the audit risk (Coram et al. 2003), in the sense that the probability of firms issuing the wrong opinion is higher.

However, 14.1% - 41% of respondents admitted that they rarely engage to RAQ behaviors when they are carrying out the audit work. This could be understood when most of the auditors do not perceive time budget as their main problem when it could
be achieved, although with considerable effort (Mohd Nor et al. 2010). Auditors are responsible for ensuring that audit tasks are completed within the budget allocated by management and following auditing standards, regulations, and rules. Consistent to General Standards in GAAS which is stated: "the audit is to be performed by a person who is having an adequate technical training and proficiency as an auditor". Accounting firms should ensure that auditors who performed an audit work should comply with Indonesian Public Accountant Professional Standards (SPAP) that set by the Audit Standards Committee (DSP) so that they can provide a high-quality auditing service and behave in the best interest of firms.

According to ROSC (2011), Indonesia needs to scale-up efforts for increasing the number of qualified professional accountants. As of December 2009, there were 47,500 MoF-registered accountants in Indonesia. Only a fraction of these has taken IAI membership. In Indonesia with a population of 240 million, IAI's membership of less than 8,000 shows a skewed picture of the availability of qualified professionals. According to ROSC (2011), the problems within the accountancy profession are exacerbated when considering that about 40 percent of public accountants in Indonesia are above the age of 60 and about 8 percent are under the age of 40.

After all, this may be a responsibility of the accounting firm to be more aware of the incidence in these undesirable acts under time budget pressure in their accounting firm. As the quality of audited financial information used by the users’ economic decision in Indonesia or even overseas countries, there is need to enhance the quality of corporate financial reporting and to further strengthen the effectiveness of monitoring and enforcement mechanisms, which will have an impact on enhancing investor confidence in corporate financial information (ROSC, 2011).

5. Conclusion

This study has examined the undesirable behaviors under time budget pressure among Indonesian Auditors. The model has tested 78 auditors at staff and senior levels in five cities in Indonesia. $R^2$ testing in this study shows us that time budget pressure can cause in Reduced Audit Quality (RAQ) behaviors for 49.9%. However, there are
50.1% remaining factors that might be influenced by RAQ behaviors that not conducted in this study. Further, t-test performed in this study indicates a significant influence of time budget pressure toward RAQ behaviors, where H1 is accepted. From the results of this study, it can be seen that time budget pressure has consistently been significant to RAQ behaviors, it is consistent to the results that found by Coram et al. (2003), Otley and Pierce (1996), Kelley and Margheim (1990) and Azad (1994) and this study also provides evidence that RAQ behavior is still a highly problematic in auditing profession, particularly in Indonesia. Results in this study show there are 21.8% to 52.6% of respondents admitted engaging RAQ behaviors at least sometimes, however about 12.8% to 41% of respondents admitted that they rarely engage to RAQ behaviors when they are carrying out the audit work.

It should be noted that although RAQ behaviors were found to be higher in this study, it doesn’t mean that the audit opinion will be incorrect, as this study did not provide further evidence about the effect of RAQ behaviors towards Audit quality. However, the work performed by staff and senior auditor does provide a foundation for the audit opinion and if there is a high level of RAQ, the probability of an inappropriate audit opinion will be increased.

Some limitations of this study should be noted. The surveys were conducted at a limited number of auditors. There is a possibility that the results may not be representative of the population because of the small number of respondents and in addition to that, the sampling technique is also a subject to few disadvantages such as sampling bias. Further, the results of this study cannot be generalized and should be interpreted in the context of the Indonesian auditing environment. The study only examined senior and staff level, and the findings are also not generalizable to other auditor levels. The survey method involving questionnaire is also exposed to certain problems, particularly related to language that is used in the questionnaire was in English may lead to misunderstanding of the topics and the questions and also the credibility of the answer given by respondents and little control over who completes a questionnaire, which can lead to bias.
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