

# Workload and Conflict of Interest: A Case Study in a Public Accounting Office in Bali

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**Abstract**— *The number of KAPs who violate the rules during the audit process which causes audit failures or audit deficiencies. This phenomenon causes the reliability of the information presented in the resulting financial statements to decrease, thereby causing a decline in public confidence in the auditor profession due to the discrepancy in public expectations of the quality of the audit produced. The phenomena that occur show a conflict of interest between the auditor and the client. In addition, the existence of violations that occurred during the audit process is also suspected to occur due to the high workload of a KAP, causing fatigue for the auditor and reducing the auditor's ability to find errors and irregularities in the financial statements. This study aims to determine the effect of conflict of interest and workload on auditor performance. The population in this study are auditors who work at KAP in Bali Province. The sampling technique used is non-probability sampling. To answer the research hypothesis using an analytical tool, namely Multiple Linear Regression. The results showed that the conflict of interest had a positive and insignificant effect on auditor performance and workload had a positive and significant effect on the auditor's performance.*

## I. INTRODUCTION

Auditors who work professionally refer to the Auditing Standards (SA) set by the Indonesian Institute of Public Accounting (IAPI), namely First, the General Standards are implemented by one or more persons who have expertise and independence in mental attitude must be maintained by the auditor. Second, Field Work Standards, adequate understanding of internal control must be obtained to plan the audit and competent audit evidence through inspection, observation, inquiry, and confirmation as a reasonable basis for expressing an opinion on the audited financial statements. Third, Reporting Standards,

Violations of Auditing Standards (SA) and professional codes of ethics occurred in 2017. At that time, Indonesia was shocked by a case of accounting manipulation in financial statements that attracted public attention, namely the case of Ernst & Young's (EY) partner public accounting firm in Indonesia, namely KAP Purwantono, Suherman & Surja agreed to pay a fine of US \$ 1 million (approximately Rp. 13.3 billion) to the United States regulator, as a result of being convicted of failing to audit their client's financial statements (Dewi, et al, 2019). The agreement was announced by the US Public Company Accounting Oversight Board (PCAOB). Indonesia Corruption Watch (ICW), stated that between 2015 and May 2017, there were six bribery cases involving 23 auditors and employees of the Supreme Audit Agency (BPK).

A similar case was also found by the Financial Professional Development Center (PPPK) where violations were committed

by AP or KAP auditors. The problem that occurred in this case was in 2018 PT Garuda Indonesia (Persero) Tbk. made mistakes, especially in the recognition of revenue generated from PT Mahata Aero Teknologi for the cooperation agreement presented not in accordance with accounting standards (Ministry of Finance, 2019). PT Garuda Indonesia reported a net profit of USD 809.85 thousand in the 2018 financial statements, in contrast to the 2017 condition which lost USD 216.58 million. KAP Tanubrata, Sutanto, Fahmi, Bambang & Partners especially AP Kasner Sirumapea is one of the KAPs that audits the financial statements of PT Garuda Indonesia.

The number of KAPs that violate the rules during the audit process which causes audit failures or audit deficiencies. These cases occurred because the audit was not carried out in accordance with applicable standards. This phenomenon causes the reliability of the information presented in the resulting financial statements to decrease. Due to the many financial scandals that have occurred recently involving the government and private parties, from state-owned companies to private companies, public confidence in the public accounting profession in general and auditors in particular has decreased. The decline in public confidence in the auditor profession due to the mismatch of public expectations on the quality of the audit produced.

This case is a recent incident that happened to a public accounting firm, causing concern for public accounting firms that practice in developing countries in accordance with the applicable code of ethics. The case stated that there was a conflict of interest between the auditor and the client. Conflict of interest is a conflict that arises because the bureaucratic control mechanism is not in accordance with the norms, rules, ethics and professional independence. Lubis (2017: 85) says that conflicts of interest are almost the same as role conflicts that arise because there are two different "orders" that are received simultaneously and the execution of one order will result in ignoring the other orders and placing more importance on profitable orders. Conflicts of interest that often occur are between the auditor and his client organization (management and shareholders) due to the truth of the audit report which may not be seen in the interests of either the management or shareholders or both groups (Atmadja and Saputra, 2018). Other conflicts between the auditor's professional duties and self-interest, further conflicts between managers and shareholders and conflicts between client organizations and third persons.

Parties with an interest in financial statements such as company owners, management (as business managers), investors and creditors (as providers of funds) and others have different interests in financial statements. This conflict of interest raises the possibility of presenting financial positions that deviate from generally accepted accounting principles, in order to defend the interests of certain parties. The existence of audit services is expected to bridge these different interests, by providing their opinion on management's financial statements. The function of the auditor in this case is as a party to provide assurance on the integrity of the accounting numbers produced by the auditee's accounting technology and then these numbers are used as the basis for making contracts between agents and principals (DeFond 1992; Francis and Wilson 1988; Palmrose 1984). ). However, the profession of an accountant will be very vulnerable to moral disturbances from the agent (management) or from the principal (company owner). Public accountants will be affected by independence if they have business, financial and management or employee relationships with their clients. Mutual interest occurs when the public accountant is related to the audit committee in the company, while conflict of interest occurs when the public accountant is related to management. Francis and Wilson 1988; Palmrose 1984). However, the profession of an accountant will be very vulnerable to moral disturbances from the agent (management) or from the principal (company owner). Public accountants will be affected by independence if they have business, financial and management or employee relationships with their clients. Mutual interest occurs when the public accountant is related to the audit committee in the company, while conflict of interest occurs when the public accountant is related to management. Francis and Wilson 1988; Palmrose 1984). However, the profession of an accountant will be very vulnerable to moral disturbances from the agent (management) or from the principal (company owner). Public accountants will be affected by independence if they have business, financial and management or employee relationships with their clients. Mutual interest occurs when the public accountant is related to the audit committee in the company, while conflict of interest occurs when the public accountant is related to management.

In addition, the existence of violations that occurred during the audit process is also suspected to occur due to the high workload of a KAP, causing fatigue for the auditor and reducing the auditor's ability to find errors and irregularities in the financial statements. Workload shows the workload faced by an auditor. Workload can be seen from the number of clients that must be handled by an auditor or the limited time available to carry out the audit process. The high workload can cause fatigue and the emergence of dysfunctional audit behavior so that it can reduce the auditor's ability to find errors or report irregularities.

The pressure of a very heavy workload for auditors can have a negative impact on the audit process, including a decrease in auditor performance so that the quality of audit reports can decrease. Auditors will tend to reduce some audit procedures and auditors will easily accept the explanations given by clients (DeZoort and Lord, 1997 in Kadek Ricky Ardie Suprpta and Putu Ery Setiawan, 2017). The results of the discussion can be said that if the workload given by superiors to the auditor is not

in accordance with the abilities that the auditor can complete within a certain period of time, it will result in the auditor's performance being less than optimal than what the auditor should be able to produce. Maulidawati et al. (2017) in his research said that workload had a significant negative effect on auditor performance, supported by research conducted by Nasution and Fitriany (2013) which stated that a high workload causes auditors to not improve their ability to detect fraud. This is different from Darmayanti's research (2018) which states that workload has a positive influence on auditor performance. However, this contradicts the results of research from Ishak (2018) which states that workload has no effect on auditor performance. This is different from Darmayanti's research (2018) which states that workload has a positive influence on auditor performance. However, this contradicts the results of research from Ishak (2018) which states that workload has no effect on auditor performance. This is different from Darmayanti's research (2018) which states that workload has a positive influence on auditor performance. However, this contradicts the results of research from Ishak (2018) which states that workload has no effect on auditor performance.

This study aims to determine the effect of conflict of interest and workload on auditor performance. The results of this study are expected to be input for the leadership of the Public Accounting Firm regarding the effect of conflict of interest and workload on auditor performance so that it pays special attention to the level of workload and conflict of interest. For regulators, research is expected to be taken into consideration whether or not it is necessary to set workload limits on a KAP to maintain audit quality.

## II. LITERATURE REVIEW

### *Ethical Selfish Theory*

Agoes et al., (2014) stated that there are two concepts related to egoism. First, psychological egoism, is a theory that explains that all human actions are motivated by self-serving interests. According to this theory, people may believe that their actions are noble and self-sacrificing, but all those actions that seem sublime and/or self-sacrificing are just an illusion. According to this theory, no action is actually altruistic, that is, an act that cares for others or prioritizes the interests of others at the expense of their own interests. Second, ethical egoism, is an act based on self-interest. Ethical egoism only believes that the only duty is self-interest. The relevance of the theory of ethical egoism in this research is that the tendency of auditors who have high independence in their work will have a high individualistic attitude as well (Atmadja & Saputra, 2018). In addition to that, selfishness will lead to prioritizing individual interests above the interests of institutions or organizations which ultimately leads to a conflict of interest. The relationship between the theory of ethical egoism and the research variables can be seen from the tendency of the similarity of concepts. egoism will lead to prioritizing individual interests above the interests of institutions or organizations which ultimately leads to a conflict of interest. The relationship between the theory of ethical egoism and the research variables can be seen from the tendency of the similarity of concepts. egoism will lead to prioritizing individual interests above the interests of

institutions or organizations which ultimately leads to a conflict of interest. The relationship between the theory of ethical egoism and the research variables can be seen from the tendency of the similarity of concepts.

*Production Economic Theory*

The economic theory of production is seen from the production function where the production function describes the relationship between inputs and outputs. The production function is how to determine the maximum output with a certain amount of input, under certain conditions of expertise and technical knowledge (Samuelson and Nordhaus, 125:2003). Inputs or factors of production are usually classified as land, labor and capital. Quality output is produced on the effective use of resources or labor allocated to the maximum. The effectiveness of labor output increases in line with the certainty of the workload that is in accordance with its portion. The economic theory of production on audit quality is seen at the level of employee workload as a service-producing resource faced during the busy season,

III. RESEARCH METHODS

The location of the study was conducted at KAPs in the Province of Bali which were registered in the directory of the Indonesian Public Accountants Association (IAPI), which consisted of 10 offices. The population of this study were 10 Public Accounting Firms (KAP) in Bali with a total of 74 auditors. Sampling in this research is using non-probability sampling method. The variables used in this study consisted of Workload (X1), Conflict of Interest (X2), and auditor performance (Y). The type of data used in this study is primary data obtained and collected directly from the research site through a questionnaire. Hypothesis testing using SPSS test equipment with multiple linear regression test technique.

IV. RESULTS AND DISCUSSION

Table 1. Multiple Linear Regression

Variable	Unstandardized Coefficient		Standardized Coefficient	t	sig
	B	Std. Error	Beta		
Constant	11,222	1,728	6,493		,000
X1	.234	.064	.396	3.656	.000
X2	.057	.069	.090	.827	.411
R			.413		
Adjusted R Square			.171		
F count			7.309		
Sig F			0.001		

*Coefficient of Determination Analysis*

Table 1 shows that the value of the coefficient of determination or R Square is 0.171. This number means that the variables of religiosity and relativism have an effect on the auditor's performance variable of 0.171 or 17.%. As for the rest of 82.9% influenced by other variables.

*Simultaneous Significance Test Results (F-test)*

The results of the ANOVA test obtained an Fcount of 7.309, a significance of 0.001 which is smaller than 0.05. This means that the regression used is feasible. In addition, the F test can be interpreted as independent/independent variables, namely

workload and conflict of interest, which have a significant influence on the performance of auditors at the Public Accounting Firm in Bali.

*T-test results*

The results of the t-test in Table 1 show the t-count value of 3.656 with a significance level of 0.000 where the value is smaller than 0.05. So, it can be concluded that workload has a positive and significant effect on auditor performance. The results of this study are in line with research conducted by Putri (2020) which states that workload has a positive and significant effect on auditor performance. An auditor is required to create more competitive advantages through increasing knowledge, experience, expertise, and commitment as well as relationships with colleagues and other parties from outside the company. The number of demands that must be met by an auditor can cause a high workload. In retrospect, the existence of a workload accompanied by a goal to be achieved will not affect an auditor's performance decline, which means that if the workload increases, the auditor's performance will increase because not all workload indicators can reduce performance. Auditors will feel challenged by the amount of work that must be completed and vice versa. Not all auditors assume that the perceived workload brings them to a decrease in their performance in completing various tasks as an auditor which has a direct impact on the auditor's performance appraisal. Auditors will feel challenged by the amount of work that must be completed and vice versa. Not all auditors assume that the perceived workload brings them to a decrease in their performance in completing various tasks as an auditor which has a direct impact on the auditor's performance appraisal. Auditors will feel challenged by the amount of work that must be completed and vice versa. Not all auditors assume that the perceived workload brings them to a decrease in their performance in completing various tasks as an auditor which has a direct impact on the auditor's performance appraisal.

The results of the t-test in Table 1 show the t-count value of 0.827 with a significance level of 0.411 where the value is greater than 0.05. So, it can be concluded that the conflict of interest has a positive and insignificant effect on the performance of auditors at the Public Accounting Firm (KAP) in Bali. An auditor is an external institution which must have an independent nature. Auditors must maintain and uphold their independence in conducting audits. Although there is a role conflict that occurs, it certainly will not affect the performance of the auditor himself because the auditor is independent.

V. CONCLUSIONS

Based on data collected from questionnaires that have been distributed to 74 samples who are auditors at Public Accounting Firms (KAP) in Bali and the data obtained were analyzed using multiple linear regression analysis models, it can be concluded that the t test results show that the the significance of the workload variable is 0.000 with a Beta value of 0.396. These results indicate that workload has a positive and significant effect on auditor performance. 2. The results of the t test show that the significance value of the conflict of interest variable is 0.411 with a Beta value of 0.090. These results indicate that the

conflict of interest has a positive but not significant effect on auditor performance. Workload and conflict of interest simultaneously have a positive and significant effect on the performance of auditors at the Public Accounting Firm (KAP) in Bali. These variables have an F-count coefficient of 7.309 with a significance value of 0.001 (or below 0.05).

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