DOI <https://doi.org/10.18551/rjoas.2018-08.21>

**THE EFFECT OF EXPERIENCE, COMMITMENTS, ORIENTATION OF ETHICS AND
ETHICS CULTURE ORGANIZATION ON SENSITIVITY ETHICS OF AUDITOR
IN PUBLIC ACCOUNTANTS FIRM IN BALI**

Handoyo Stevani Dwi Wulandari*, Sudana I Putu, Budiasih I Gusti Ayu Nyoman

University of Udayana, Indonesia

*E-mail: stevanie_han@yahoo.com

ABSTRACT

This research aims to test the impact of experience, commitment, ethical orientation and ethical culture of the organization on the auditor's ethics sensitivity Public Accountant Firm in Denpasar Bali. The results showed that experience, commitment, ethical orientation and organizational ethical culture had an effect on auditor ethics sensitivity. Hypothesis testing results provide synthesis that the better experience, commitment and ethical orientation, as well as the stronger ethical organizational culture in the KAP, the auditor's auditor ethics sensitivity will also be better.

KEY WORDS

Ethical sensitivity, experience, commitment, ethical orientation, ethical culture.

The rules concerning the profession of public accountants are structured to realize ideal conditions in accounting and auditing. But in practice, a rule cannot always anticipate problems that exist. One example is the ethical dilemma facing KAP auditors. Ethics is an issue that is often discussed in every discussion of professionalism in accounting and auditing (O'Leary and Cotter, 2000). This shows the profession in the field of accounting and auditing can not be separated from ethical issues. Especially in the field of auditing, the public accounting profession often faces the ethical dilemma. Ethical issues arise when public accountants balance the interests of the various stakeholders (Shaub et al., 1993).

(Anderson and Ellyson, 1986) claim the American Institute of Certified Public Accountants (AICPA) provides a condition for auditors to exercise ethical and moral sensitivity in all their activities. Ethical sensitivity forms the basis for understanding the ethical nature of a decision (Shaub et al., 1993). Indonesia can adopt such requirements to create ideal conditions through the application of Public Accountants Act by practicing ethical sensitivity. Audit cases that occur can be evaluated in improving ethical orientation, increasing professional commitment and experience of auditors to face ethical issues. Evaluations can also be made within the professional accounting organization's environment to eliminate inherent ethical issues (Poneman and Gabhart, 1993; Leung and Cooper, 1995).

Ethical sensitivity is defined by (Shaub et al., 1993) as the ability to take a decision by considering the ethical nature of the decisions made. This ability is very important for auditors when faced with ethical dilemmas in performing their duties. (Hunt and Vitell, 1986) argue that one's understanding of the ethical problem is influenced by experience and the environment. Measurement of ethical sensitivity is done by considering the failure of time-related accountants, the use of time for personal gain and accountant judgment related to accounting principles. Irawati and (Supriyadi, 2012) developed a measure of ethical sensitivity in their research by modifying (Shaub, 1989) research instruments. This study uses both measures to measure ethical sensitivity.

An auditor must also have a commitment (Irawati and Supriyadi, 2012). Commitment is divided into two, namely professional commitment and organizational commitment (Blaine et al., 1992). This is reinforced by (Chang and Choi's, 2007) research which found that organizational

commitment and professional commitment are two different things. (Larkin, 1990) states that professional commitment is loyalty to the profession owned by individuals, while (Kwon and Banks, 2004) state that organizational commitment is a loyalty to the organization. Commitment to organizations and professions raises the desire to maintain membership in organizations and professions (Aranya et al., 1981; Aranya and Ferris, 1984).

Several studies on ethical sensitivity have been conducted. (Irawati and Supriyadi, 2012) stated that there is an influence of organizational commitment to ethical sensitivity. These results are different from (Shaub et al., 1993) and (Aziza and Salim, 2007) who argue that there is no relationship between organizational commitment and ethical sensitivity. (Januarti, 2011) states that ethical orientation has a significant effect on ethical perceptions and judgments, whereas experience, professional commitment, and organizational ethical values have no significant effect on perceptions and ethical considerations. Different results show (Khomsiyah and Indriantoro, 1998) who found that professional commitment affects ethical sensitivity. (Fallah, 2006) shows that organizational ethical culture influences idealism and has no effect on relativism, whereas relativism has a significant effect on ethical sensitivity and idealism has no significant effect on ethical sensitivity.

LITERATURE REVIEW

Ethics becomes one of the guides for the auditor profession in accounting for all its activities (Januarti, 2011). Auditor Public Accounting Firm is one of the professions that can not be separated from ethical issues. This was proven through a sanctioned case by the Honorary Board of the Indonesian Institute of Accountants (IAI) to 10 KAPs that violated audit standards in 2002 (Rustiana, 2006). The case relates to the auditor's process in taking a right and quick decision while performing the task. Auditors in all their activities must consider many things because of the many interests inherent in the audit process (Damman, 2003). (Tsui, 1996) and (Tsui and Gul, 1996) also stated the same thing, an auditor is often in an audit conflict while performing his duties. The conflict will develop into an ethical dilemma when the auditor faces a decision-making situation involving independence and integrity with economic rewards on the other (Windsor and Askhanasy, 1995).

(Jones, 1991) also states that one's understanding of morale in taking an ethical decision depends on himself (experience, ethical orientation and professional commitment) and situations (organizational ethical values). In addition, (Trevino, 1986) states that organizational factors affect an individual's ethical behavior. A person has reason to do an action that is considered true based on commitment and see it as a basis for evaluating a rule (Velasques, 2005).

Behavioral accounting is part of an accounting study that studies the relationship between human behavior and accounting systems (Siegel et al., 1989). The accounting system is linked to the entire design of management control tools, including control systems, budgeting systems, accounting design responsibilities, organizational design, cost collection design, performance appraisal design and financial reporting. The scope of accounting behavior not only cover the field of management accounting, but also related to ethics, auditing, accounting information systems and even financial accounting.

(Boyton, 2003) stating that auditing is a systematic process of obtaining and evaluating objectively the assertions of an activity and an economic event aimed at establishing conformity between assertions with established criteria, then the results communicated to interested parties. While (Agoes, 2004) argues that the audit is critical and systematic, the activity is carried out by an independent party, by examining the financial statements of management along with the accounting records and supporting evidence, with the aim of providing an opinion on the fairness of the financial statements.

According to (Siegel and Marconi, 1989), the auditor must be able to escape from the personality factor while carrying out the audit activity. Personality can lead to audit failure and

high risk for the auditor. There are two conditions faced by the auditor. First, auditors are influenced by their perception of the audit environment. Second, the auditor should be aligned and synergized in the work of the group, so that the interaction arises that will lead to the process behavior. (Suartana, 2010) argues that behavioral accounting is part of the accounting discipline that examines the relationships of human behavior and accounting systems, as well as the dimensions of behavior of organizations in which human and accounting systems reside. So, it can be concluded that there are aspects behavior in audit.

(Irawati and Supriyadi, 2012) that measure ethical sensitivity by modifying the ethical sensitivity scenario of (Shaub, 1989), i.e failure of time-related accountants, the use of time for personal gain and accountant judgment associated with accounting principles. Professional Standard of Public Accountant (SPAP) on Quality Control Standard Number 1 for KAP states that every individual in KAP must comply with applicable provisions. This standard clarifies the definition of audit (Shaub et al., 1993) and (Vitell, 1986) for auditors to further enhance their ability to understand ethical values.

(Januarti, 2011) argues that the auditor's experience evolves with audit experience, audit discussions, training, and standard usage. (Jones, 1991) also states that a person's cognitive moral development is influenced by experience. Auditors with experience are considered more conservative when facing ethical dilemmas (Larkin, 2000). This conservative attitude helps the auditor to increase his ethical sensitivity. (Gusnardi, 2003) measures audit experience through auditor positions, length of work, skills upgrades, and audit training that has been followed.

(Bline et al., 1992) found that professional commitment and organizational commitment indicate two different things. Organizational commitment and professional commitment are distinguished empirically and predicted by different variables (Brierly, 1996; Leong et al., 2003). (Kwon and Banks, 2004) argue that organizational commitment is related to the type of employee organization, while professional commitment is estimated by support for the group, positive attitudes toward the profession and occupational characteristics. The explanation of professional commitment is also expressed by (Jeffrey and Weatherholt, 1996), a strong professional commitment will lead the auditor to obey the rules. (Chang and Choi, 2007) found that professional and organizational commitment is a psychological experience that can be explained by different individual and organizational variables.

An ethical orientation is an alternative to one's behavioral patterns to resolve the ethical dilemmas and consequences expected by different functions (Higgins and Kelleher, 2005). The ethical orientation deals with external factors such as the cultural environment, the industrial environment, the organizational environment and personal experiences that are the internal factors of the individual (Hunt and Vitell, 1986). Ethical norms, standards of individual behavior, standards of behavior in the family, and behavioral standards in the community direct one's behavior to recognize problems (Tsalikis and Fritzsche, 1989; Wiley, 1998).

(Schein, 1992) states culture is a process of transferring values to new members as a guide to behave. Culture can evolve from unconscious, but systematic efforts over a period of time. Organizational culture is the pattern of thoughts, feelings and actions of a social group, which distinguishes it from other social groups (Hofstede, 1994). The ethical culture of the organization is a broad view of the employee's perception of the ethical actions of the leader of the importance of ethics in the company and rewards or sanctions for immoral acts (Hurt et al., 1986). Organizational culture is one of the important variables for a leader, because it reflects the values that are recognized and the guidelines for the members of the organization.

Hypotheses:

- H1: Experience has a positive effect on the auditor ethics sensitivity Public Accountant Firm in Denpasar Bali.
- H2a: Professional commitment has a positive effect on the auditor ethics sensitivity Public Accountant Firm in Denpasar Bali.

- H2b: Organizational commitment has a positive effect on the auditor ethical sensitivity Public Accountant Firm in Denpasar Bali.
- H3a: Idealism has a positive effect on the auditor ethical sensitivity Public Accountant Firm in Denpasar Bali.
- H3b: Relativism has a negative effect on the auditor ethical sensitivity Public Accountant Firm in Denpasar Bali.
- H4: The organizational ethical culture has a positive effect on the auditor ethical sensitivity Public Accountant Firm in Denpasar Bali.

METHODS OF RESEARCH

Data collection method used in this research is survey method with questionnaire technique. Questionnaires in this study used modification of questionnaires (Irawati and Supriyadi, 2012), (Januarti, 2011) and (Gusnardi, 2003). The experimental questionnaire was developed based on research conducted by (Januarti, 2011) and (Gusnardi, 2003), while the questionnaire of commitment, ethical orientation, organizational ethical culture and ethical sensitivity were developed based on research conducted by (Fallah, 2006), (Irawati and Supriyadi, 2012) and (Shaub, 1989). This study changed the measurements by using Likert scale 1 to 4 that used Likert scale 1 through 7. The reason for changing the scale was with consideration to get the auditor's view more clearly about the statement and the case presented in the questionnaire. If the scale 7 is used, there is a tendency for respondents to choose to think neutrally about a case.

Multiple linear regression analysis was used to determine the effect of experience, commitment, ethical orientation and organizational ethical culture on the sensitivity of KAP auditor ethics in Denpasar Bali by using Statistical Package for Social Science (SPSS) program.

RESULTS AND DISCUSSION

The result of multiple linear regression tests can be seen in Table 1. The tests are conducted on experience variables, professional commitment, organizational commitment, idealism, relativism and organizational ethical culture on ethical sensitivity.

Table 1 – Multiple Linier Regression Testing Result

Model		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	t	Sig.
No. Variabel		B	Std. Error	Beta		
1	Experiences (X1)	0,320	0,113	0,304	2,818	0,007
2	Professional Commitment (X2a)	0,158	0,071	0,202	2,222	0,031
3	Org. Commitment(X2b)	0,405	0,089	0,421	4,568	0,000
4	Idealism (X3a)	0,081	0,038	0,209	2,112	0,039
5	Relativism (X3b)	-0,141	0,038	-0,322	-3,668	0,001
6	Org. Ethical Culture (X4)	0,217	0,077	0,303	2,835	0,006
Constanta =		0,440				
Sig. F		0,000				
<i>Adjusted R Square</i>		0,611				

Source: Primary Data, 2017.

The first hypothesis (H1) states that experience positively affects the auditor's ethical sensitivity of the Public Accounting Firm in Denpasar Bali. Tests on the effect of experience on ethical sensitivity are done by looking at the results of statistical tests t. The probability level (sig.) T of the experiential variable is $0.007 < \alpha = 0.05$. This indicates that H1 is accepted and H0 is rejected. The conclusion is that the experience had a positive effect on the auditor's ethical sensitivity of the Public Accountant Firm in Denpasar Bali.

The second hypothesis (H2a) states that professional commitment has a positive effect on the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. To test the effect of professional commitment on ethical sensitivity done by looking at statistical test result t. The probability level (sig.) T of the professional commitment variable is $0.031 < \alpha = 0.05$. This indicates that H2a is accepted and H0 is rejected. The conclusion is that professional commitment has a positive effect on the auditor ethics sensitivity of Public Accountant Firm in Denpasar Bali.

The third hypothesis (H2b) states that organizational commitment has a positive effect on the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. A test on the effect of organizational commitment on ethical sensitivity is done by looking at the results of statistical tests t. The probability level (sig.) T of the organizational commitment variable is $0.000 < \alpha = 0.05$. This indicates that H2b is accepted and H0 is rejected. The conclusion is organizational commitment have positive effect on sensitivity of auditor ethics of Public Accountant Firm in Denpasar Bali.

The fourth hypothesis (H3a) states that idealism positively affects the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. Tests against the influence of idealism on ethical sensitivity is done by looking at the results of statistical tests t. The probability level (sig.) T idealism variable is $0.039 < \alpha = 0.05$. This indicates that H3a is accepted and H0 is rejected. The conclusion is that idealism has a positive effect on the auditor's ethics sensitivity Public Accountant Firm in Denpasar Bali.

The fifth hypothesis (H3b) states that relativism negatively affects the ethical sensitivity of auditors Public Accounting Firm in Denpasar Bali. Tests on the effect of relativism on ethical sensitivity are done by looking at the results of statistical tests t. The probability level (sig.) T of the relativism variable is $0.001 < \alpha = 0.05$. This indicates that H3b is accepted and H0 is rejected. The conclusion is that relativism has a negative effect on the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali.

The sixth hypothesis (H4) states that the ethical culture of the organization has a positive effect on the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. Tests on the influence of organizational ethical culture on ethical sensitivity are done by looking at the results of statistical tests t. The probability level (sig.) T the ethical organizational culture variable is $0.006 < \alpha = 0.05$. This indicates that H4 is accepted and H0 is rejected, which means that the ethical culture of the organization positively affects the auditor's ethical sensitivity of the Public Accountant Firm in Denpasar Bali.

CONCLUSION AND SUGESTIONS

Experience has a positive effect on the sensitivity of auditor ethics Public Accountant Firm in Denpasar Bali. An experienced auditor will have a good level of ethical sensitivity. Professional commitment positively affects the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. Auditors with high professional commitment will have a strong level of ethical sensitivity. Organizational commitment has a positive effect on the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. Auditors with organizational commitment will have a strong level of ethical sensitivity. Idealism positively effects the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. Auditors who have high ideals will have a good level of ethical sensitivity. Relativism has a negative effect on the ethical sensitivity of auditors Public Accountant Firm in Denpasar Bali. Auditors who have relativism will have low levels of ethical sensitivity. Ethical Culture The organization positively affects the auditor's ethics sensitivity Public Accountant Firm in Denpasar Bali. Auditors who have an organizational ethical culture will have a strong level of ethical sensitivity.

The focus of this study is the auditor Public Accounting Firm in Denpasar Bali, so the results of this study cannot be generalized to all Public Accounting Firm in Indonesia.

Subsequent research can use this research as one of the reference on auditor ethics sensitivity Public Accounting Firm in other region. Subsequent research can use samples with ethical dilemmas phenomena, such as BPK auditors, internal corporate auditors, and do not rule out the possibility for other parties. Further research opportunities are expected to find new variables that have an effect on ethical sensitivity, such as audit fees and age. Research can also be done by comparing KAP with BPK.

REFERENCES

1. Agoes, Sukrisno. 2004. Auditing (Audit oleh Kantor Akuntan Publik). Jakarta: Universitas Indonesia
2. Anderson, G. dan R. C. Ellyson. 1986. Restructuring Profesional Standards: The Anderson Report. *Journal of Accountancy*, September, pp. 92-104.
3. Aranya, N., A. Barack and Amernic, J. 1981. A test of Holland's theory in a population of accountants. *Journal of Vocational Behavior*, Vol. 19 No. 1, pp. 15-24.
4. Aranya, N. and K. R. Ferris. 1984. A Reexamination of Accountants' Organizational-Profesional Conflict. *The Accounting Review*, Vol. 59, pp. 1-15.
5. Aziza, N. dan Salim A. 2007. Pengaruh Orientasi Etika Pada Komitmen dan Sensitivitas Etika Auditor (Studi Empiris pada Auditor di Bengkulu dan Sumatera Selatan). *Simposium Nasional Akuntansi 11*. Universitas Tanjung Pura, Pontianak.
6. Blime, D. M., Meixner, W. F. and Aranya N. 1992. The Impact Of The Work Setting On The Organizational & Profesional Commitment of Accountants, *Research in Governmental & Non Profit Accounting*, Vol. 7, pp.79-96.
7. Boyton, K. J. 2003. *Modern Auditing*. Edisi ke 7. Jakarta: Erlangga.
8. Brierly, J. A. 1996. The measurement of organizational commitment and professional commitment. *The Journal of Social Psychology*, 136, 265–267.
9. Chang, J. Y. dan Choi, J. N. 2007. The Dynamic Relation Between Organizational and Professional Commitment of Highly Educated Research and Development (R&D) Professionals. *The Journal of Social Psychology*, 147(3), pp 299–315.
10. Damman, T. E. 2003. Audit: A Build-in Conflict of Interest, *Corporate Board*, Vol. 24, Issue 138, 16-22.
11. Fallah, Syaikhul. 2006. Pengaruh budaya etis organisasi dan orientasi etika terhadap sensitivitas etika (studi empiris tentang pemeriksa internal di Bawasda Pemda Papua. Universitas Diponegoro: Tesis.
12. Fatimah, Annisa. 2012. Karakteristik Personal Auditor Sebagai Antecedent Perilaku Disfungsional Auditor dan Pengaruhnya terhadap Kualitas Hasil Audit. *Jurnal Manajemen dan Akuntansi*, Vol 1 No 1 Edisi April.
13. Gusnardi. 2003. Analisis Perbandingan Faktor-faktor yang Mempengaruhi Judgment Penetapan Risiko Audit oleh Auditor yang Berpengalaman dan Auditor yang Belum Berpengalaman. Tesis. Bandung: Universitas Padjadjaran. (Tidak Dipublikasikan).
14. Higgins dan Kelleher. 2005. Comparative Perspectives on the Ethical Orientations of Human Resources, Marketing and Finance Functional Managers. *Journal of Business Ethics*, Vol.56, pp. 275-288.
15. Hunt, S. D. dan S. J. Vitell. 1986. A General Theory of Marketing Ethics. *Journal of Macromarketing*, Spring, pp. 5-16.
16. Irawati, Anik dan Supriyadi. 2012. Pengaruh Orientasi Etika Pada Komitmen Profesional, Komitmen Organisasional dan Sensitivitas Etika Auditor dengan Gender sebagai Variabel Pemoderasi. *Simposium Nasional Akuntansi XV*: Banjarmasin.
17. Januarti, Indira. 2011. Analisis pengaruh pengalaman auditor, komitmen profesional, orientasi etis, dan nilai etika terhadap persepsi dan pertimbangan etis (auditor badan

- pemeriksa keuangan Indonesia). Simposium Nasional Akuntansi XIV. Aceh.
18. Jeffrey, C. and N. Weatherholt. 1996. Ethical Development, Professional Commitment, and Rule Observance Attitudes: A Study Case of CPAs and Corporate Accountants. *Behavioral Research in Accounting*, Vol 8, 8-36.
19. Jones, T. M. 1991. Ethical Decision Making by Individuals in Organizations: An Issue Contingent Model. *Academy of Management Review*, vol. 16(2), 366- 395
20. Khomsiyah dan Nur Indriantoro. 1998. Pengaruh Orientasi Etika terhadap Komitmen dan Sensitivitas Etika Auditor Pemerintah di DKI Jakarta. *JRAI* Vol. 1 13-28.
21. Kwon, I. W. G., & Banks, D. W. 2004. Factors related to the Organizational and professional commitment of internal auditors. *Managerial Auditing Journal*, 19, 606–622.
22. Larkin, Joseph, M. 2000, The Ability of Internal Auditors to Identify Ethical Dilemmas, *Journal of Business Ethics*, 23, 401-409.
23. Leong, L., Huang, S. Y., and Hsu, J. 2003. An empirical study on professional commitment, organizational commitment and job involvement in Canadian Accounting firms. *Journal of American Academy of Business*, 2, 360–370.
24. Leung, P. dan Cooper, B. J. 1995. Ethical dilemmas in accountancy practice. *Australian Accountant*. May, pp. 28-32.
25. O’Leary, Conor and Derry Cotter. 2000. The ethics of final year accountancy students: an international comparison. *Managerial Auditing Journal*, Vol. 15, pp. 108 –115.
26. Rustiana. 2006. Eksplorasi Pembuatan Keputusan Etis Mahasiswa Akuntansi dalam Situasi Dilema Etis Akuntansi. *Modus*, vol 18(1), 49-61.
27. Siegel, Gary & Helene Ramanauskas Marconi. 1989. *Behavioral Accounting*. South Western Publishing Co. Cincinnati, Ohio.
28. Suartana, I Wayan. 2010. *Akuntansi Keperilakuan: Teori dan Implementasi*. Yogyakarta: Andi Offset.
29. Trevino, Linda Klebe. 1986. Ethical Decision Making in Organization: A Person Situation Interactionist Model. *Academy of Management Review*, July, 601-617.
30. Tsalikis, J. and D. J. Fritzche. 1989. Business Ethics: A Literatur Review with a Focus on Marketing Ethics. *Journal of Business Ethics*, Vol.8, No.9, pp. 695-743.
31. Tsui, J. S. L. 1996. Auditors’ Ethical Reasoning: Some Audit Conflict and Cross Cultural Evidence. *The International Journal of Accounting* Vol 31, 121- 133.
32. Tsui, and F. A., Gul. 1996. Auditor Behaviour in an Audit Conflict Situation: A Research Note on the Role of Locus of Control and Ethical Reasoning. *Accounting, Organizations and Society* Vol 21, 41-51.
33. Velasquez, M. G. 2005. *Business Ethics, Concepts and Cases*, 5th ed. Pearson Education, Inc. Upper Saddle River, New Jersey.
34. Wiley, C. 1998. Reexamining Perceived Ethics Issues and Ethics Roles Among Employment Managers. *Journal of Business Ethics*, Vol.17, pp. 147-161.
35. Windsor. C. A. and N. M. Ashkanasy. 1995. The Effect of Client Management Bargaining Power, Moral Reasoning Development, and Belief in a Just World on Auditor Independence. *Accounting, Organizations and Society* Vol 20, 701-720.