

# Auditor's Dysfunctional Behavior By Integrating Machiavellian Properties, Role Stress, And Emotional Intelligence

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**Abstract.** This study aims to explain that the auditors' dysfunctional behavior is influenced by the personal characteristics of auditors, including the role stress they experience and their machiavellian and emotional intelligence. This study also aims to consider the public accounting firm to conduct formal professional ethics training so that auditors have a moral obligation to maintain professional ethics and avoid dysfunctional behavior. The population in this study were auditors who worked at the Bali Province Public Accountant Office. The sampling technique used was nonprobability sampling. The data was collected by distributing questionnaires with a survey method. To answer the research hypothesis using an analysis tool, namely Moderated Regression Analysis. The results showed that machiavellian characteristics had a positive effect on auditors' dysfunctional behavior, role stress did not affect auditors' dysfunctional behavior, emotional intelligence weakened the influence of Machiavellian characteristics on auditors' dysfunctional behavior, and emotional intelligence also weakened the influence of role stress. about the auditor's dysfunctional behavior.

**Keywords:** Machiavellian; role stress; emotional intelligence; Dysfunctional Auditor

## 1 Introduction

The public accounting profession is a public trust profession that expects a free and impartial assessment in carrying out audits of information presented by company management in financial reports [1]. With this public accountant's assessment, it can be seen about the fairness or financial health condition of the company. An auditor must comply with the Public Accountant Professional Standards (SPAP) in carrying out a general audit of his client's financial statements. A good audit is the result of an audit that can improve the quality of information and can give confidence to its service users that the audit process has been carried out properly [2]. The reality is that in society there are still many public accountants who violate the Audit Standards. Among them is the case in 2017, the Public Accounting Firm partner Ernst & Young's (EY) in Indonesia, namely the Public Accounting Firm (KAP) Purwantono, Suherman & Surja agreed to pay a fine of US \$ 1 million to the US regulator due to its failure to audit its client's financial statements. [3]. They gave an unqualified opinion to PT. Indosat Tbk in terms of rental of cellular tower units without being supported by accurate evidence. The most recent is the case that happened to Garuda Indonesia in 2019. Minister of Finance Sri Mulyani held a license suspension for 12 months against Public Accountant

Khasner Sirumapea and gave written sanctions to the Public Accounting Firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang & Rekan. This occurred because there were violations committed against the audit of Garuda Indonesia's financial statements [4].

The number of cases that occurred indicates that there has been dysfunctional behavior by the auditors. Auditor dysfunctional behavior is the act of reducing or reducing the quality of the audit directly or indirectly by the auditor [5]. Dysfunctional behavior may occur as a result of the auditor's reaction to a given assignment. This behavior is caused by a conflict of interest between the client (audit service user) and the auditor [6]. The client has an interest in giving the company's financial statements the best opinion. On the other hand, the auditor must be independent by SPAP in providing an opinion on the financial statements [7].

Auditor behavior deviations are caused by the personal characteristics of the auditors themselves. Machiavellian is the nature of ignoring the importance of integrity and honesty in achieving goals. These individuals tend to be unproductive [8]. People with high machiavellian characteristics will try to take advantage of the situation for profit without paying attention to the applicable regulations. Likewise in the auditor profession. Auditors who have high machiavellian tendencies are likely to commit actions that violate professional ethics rules, causing dysfunctional behavior that will doubt the independence of an auditor in performing his audit duties [9]. Martini and Permana (2019) in their research found that machiavellian traits have a positive effect on dysfunctional audit behavior.

The auditor profession has the potential to experience stress because of the many role pressures in his work. Various pressures and conflicts experienced by an auditor will ultimately lead to role stress [10]. Role stress experienced by an auditor will have an impact on the occurrence of dysfunctional behavior. The existence of role stress is something that affects not only auditors about the performance of the auditors themselves but also on the KAP they work for [11]. The higher the role stress experienced by the auditor, the higher the tendency for the auditor's dysfunctional behavior to occur in carrying out his duties. On the other hand, Golparver et al. found that work stress at a low level harms deviant behavior, while work stress at a high level has a positive effect on deviant behavior [12].

An auditor's behavior is related to his emotional intelligence. Emotional intelligence is the ability to recognize and manage emotions and use these emotions to direct thoughts and actions [13]. If emotional intelligence can be managed properly, it will be able to motivate to handle demands and pressure from outside so that it will be able to work well and will reduce the occurrence of dysfunctional auditor behavior.

There are several studies on the dysfunctional behavior of auditors, but this research is conducted by focusing on internal factors (factors that come from within) an auditor. This needs to be done because the dysfunctional behavior carried out by an auditor has an impact on auditor professionalism. Based on the above background, the problem formulation in this study is whether the machiavellian nature and role stress affect the dysfunctional behavior of auditors. Does emotional intelligence moderate the influence of machiavellian traits and role stress on auditors' dysfunctional behavior?

The urgency of this research is that the auditor's dysfunctional behavior is important to study because auditors must comply with the SPAP in carrying out each audit assignment. The existence of deviant behavior by the auditors, apart from having an impact on the professionalism of the auditors themselves, will also have an impact on the Public Accounting Firm (KAP) where he works and for the client and parties with an interest in the results of the examination.

The Grand theory used in this research is personality theory and attribution theory. Feist & Feist stated that personality theory is a behavior that can be determined by a person's

personality [5]. This study discusses the personality theory used to explain the influence of Machiavellian traits on auditors' dysfunctional behavior. A person's behavior will be influenced by their personality traits, likewise in this study dysfunctional behavior will be influenced by the personality traits of the individual concerned. Whereas attribution theory refers to how a person explains the causes of other people's behavior or himself which will be determined from internal, for example, the nature, character, attitude or from the external, such as the pressure of certain situations or circumstances that affect individual behavior [14]. In this study, attribution theory explains that the auditors' dysfunctional behavior is caused by internal factors, namely the role of stress they experience and their machiavellian and emotional intelligence.

## **2 Research Hypothesis**

Machiavellian is the nature of ignoring the importance of integrity and honesty in achieving goals. Auditors who have a high machiavellian tendency are likely to commit actions that violate professional ethics rules, causing dysfunctional behavior that will doubt the independence of an auditor in carrying out auditing duties [9]. This is reinforced by the results of Martini and Permana's research and Pradnyanita and Sujana's research which states that machiavellian traits have a positive effect on auditors' dysfunctional behavior. [5] [15]. Based on this description, the hypothesis can be formulated as follows:

H1: Machiavellian traits have a positive effect on auditors' dysfunctional behavior.

The auditor profession has the potential to experience stress due to the many role stresses in the job (role stress). Role stress consists of role conflict, role ambiguity, and role overload. Role stress experienced by an auditor will have an impact on the occurrence of dysfunctional behavior. This is supported by Dewi and Dwirandra's research and Alkautsar's research which states that role stress has a positive effect on the dysfunctional behavior of auditors [16] [17]. The higher the role stress experienced by the auditor, the higher the tendency for the auditor's dysfunctional behavior to occur in carrying out his duties. Based on this description, the hypothesis can be formulated as follows:

H2: Role stress has a positive effect on auditors' dysfunctional behavior.

Emotional intelligence is the ability to recognize and manage emotions and use these emotions to direct thoughts and actions [13]. If the auditor's emotional intelligence can be managed properly, it will motivate them to behave in accordance with the rules of professional ethics that exist in each assignment and be able to handle the demands and role stresses experienced so that it will reduce the occurrence of dysfunctional auditor behavior. However, if the auditor's emotional intelligence is not managed properly, it will affect their performance. Based on this description, the hypothesis can be formulated as follows:

H3: Emotional intelligence moderates the Machiavellian influence on auditors' dysfunctional behavior.

H4: Emotional intelligence moderates the effect of Role Stress on auditors' dysfunctional behavior.

### 3 Methods

The research location is conducted at KAP located in Bali Province which is registered in the directory of the Indonesian Public Accountants Association (IAPI), which is 13 offices.

The population of this study was 13 Public Accounting Firms (KAP) in Bali. Sampling using a purposive sampling method, namely the sampling technique with certain criteria. The criteria used in determining the sample are auditors who have work experience at KAP in Bali for at least 1 (one) year, auditors who have been assigned to fieldwork, and complete one client assignment. Based on these criteria, the sample size of this study is 76 auditors, which are described as follows:

**Table 1.** List of Number of Auditors at Public Accounting Firms in Bali in 2020

No	Name of Public Accounting Firm	Number of Auditors
1	KAP Budhananda Munidewi	7
2	KAP I Wayan Ramantha	9
3	KAP Johan Malonda Mustika & Rekan (Cabang)	10
4	KAP K. Gunarsa	3
5	KAP Drs. I Ketut Budiarta, M.Si	10
6	KAP Drs. I Ketut Muliarta RM & Rekan	8
7	KAP Drs. Sri Marmo Djogosarkoro & Rekan	12
8	KAP Arimbawa	3
9	KAP Drs. Ida Bagus Djagera	1
10	KAP Artayasa	2
11	KAP Arnaya & Darmayasa	2
12	KAP Rama Wendra	4
13	KAP Tjahjo, Machdjud Modopuro & Rekan	5
<b>Total</b>		<b>76</b>

The variables used in this study consisted of machiavellian (X1), role stress (X2), and auditor dysfunctional behavior (Y) as well as emotional intelligence (X3) which were moderator variables. The assessment was carried out with several questions using a Likert scale with a score of 1 for the choice Strongly Disagree (STS), a score of 2 for the choice of Disagree (TS), a score of 3 for the choice of neutral (N), a score of 4 for the choice of Agree (S) and a score 5 for the Strongly Agree (SS) option. The operational definitions of the variables used are:

#### Auditor's Dysfunctional Behavior

Auditor dysfunctional behavior is the act of reducing or reducing the quality of the audit directly or indirectly by the auditor. This variable is proxied by 3 indicators, namely the understanding of the auditor's dysfunctional behavior through statements, namely underreporting of time or audit reporting time, premature sign-off or premature termination of audits, and altering/replacing of audit procedures or replacement of audit procedures.

#### Machiavellian

Machiavellians are described as individuals who like to gain personal gain, disobey rules, and tend to have dysfunctional behavior. This variable is measured by The Mach-IV Scale which is adapted from Christie, R. and Geis, F (1970).

#### Role Stress

Role stress is stress due to role stress. The role stress indicator is measured by several questions about awareness of conflicts, accepting conditions and situations if conflicts arise that can create pressures at work, have the ability to tolerate stress, strengthen attitudes or personal characteristics more resilient in dealing with conflicts that arise in the organization.

#### Emotional intelligence

Emotional intelligence is measured by an interpersonal scale with several questions about self-awareness, self-control, motivation, self-empathy, social skills.

The type of data used is qualitative data, namely the respondents' perceptions of the variables being tested. Based on the source, the data used is primary data in the form of opinions from research subjects collected using a survey method through a questionnaire. Furthermore, the respondents' answers are scaled and analyzed using the Moderated Regression Analysis (MRA) method so that conclusions can be drawn.

## 4 Result and Discussion

The data in this study were obtained by distributing questionnaires to 76 respondents. The questionnaires were distributed by visiting and distributing questionnaires directly to auditors who would be sampled in this study. There were 76 questionnaires distributed according to the number of research samples. Of the number of questionnaires distributed, only 69 questionnaires can be processed.

Based on instrument testing, it can be seen that the correlation coefficient of the question items of all variables in the questionnaire is valid, this can be seen from the Pearson correlation value of each variable that has a value above 0.3 and the instrument is declared reliable because of the Cronbach alpha value of each. the variable shows a value above 0.70. Before performing multiple linear regression analysis, first, the classical assumption is tested. Based on the classical assumption test, it is known that the research variables are normally distributed and free from multicollinearity and heteroscedasticity problems.

To test this study using moderated regression analysis. The results of moderation regression analysis can be seen in the following table:

**Table 2.** Results of Moderation Regression Analysis

Variable	Unstandardized Coefficient		Standardized Coefficient	T	Sig
	B	Std. Error	Beta		
Constant	-2,613	16,237		-0,161	0,873
X1	0,751	0,208	1,274	3,613	0,001
X2	-0,226	0,292	-0,329	-0,773	0,442
X3	0,211	0,516	0,251	0,409	0,684
X1_X3	-0,020	0,007	-1,836	-2,886	0,005
X2_X3	-0,022	0,010	-1,768	2,295	0,025
R	: 0,0,798				
R Square	: 0,637				
Adjusted R <sup>2</sup>	: 0,608				
F hitung	: 22,089				
Sig.	: 0,000				

Source: Data processed, 2020

The regression equations resulting from the moderated regression model are presented in table 2 are:

$$Y = 1,274X_1 - 0,329X_2 + 0,251X_3 - 1,836X_1X_3 + 1,768X_2X_3 + \epsilon \quad (1)$$

Based on the regression equation above, it can be seen that:

- 1) The value of the machiavellian regression coefficient ( $X_1$ ) is 1.274, indicating that each machiavellian increase will increase the dysfunctional behavior of the auditor by 127.4%.
- 2) The role stress regression coefficient ( $X_2$ ) is - 0.329, indicating that each increase in the level of role stress will reduce the dysfunctional behavior of auditors by 32.9%.
- 3) The regression coefficient value emotional intelligence ( $X_3$ ) weakens the machiavellian influence on the dysfunctional auditor behavior by 1,836. This shows that each increase in the auditor's emotional intelligence will weaken the machiavellian influence on the auditor's dysfunctional behavior by 183.6%.
- 4) The regression coefficient value for emotional intelligence ( $X_3$ ) weakens the effect of role stress on auditors' dysfunctional behavior by 1.768. This shows that each increase in the auditor's emotional intelligence will weaken the influence of role stress on the auditor's dysfunctional behavior by 176.8%.

Before the regression model is used to test the hypothesis, first the feasibility of the regression model can be seen, which can be seen through the significance value of the F test and adjusted R<sup>2</sup>. Based on the results of moderation regression in Table 2, the F-test with the Anova test obtained a significance level of 0.000 smaller than  $\alpha = 0.05$ . The significance level value indicates that the regression equation model in this study is feasible to use. It can be seen that the Adjusted R Square column in Table 2 above shows a value of 0.608. This shows that the independent variables contribute 0.608 or 60.8% to the dependent variable. While the remaining 39.2% is influenced by other variables not included in the regression equation model used in this study.

Based on the results of the t-test in Table 2, which is a hypothesis testing, the effect of each variable can be explained, as well as answering the research hypotheses that have been formulated previously. Tests were carried out using a significance level of 5% (0.05).

- 1) The influence of machiavellian traits on the dysfunctional behavior of auditors. The first hypothesis states that machiavellian traits have a positive effect on auditors' dysfunctional behavior. Based on Table 2, it can be seen that the results of the t-test on the machiavellian variable ( $X_1$ ) obtained a significance t value of t of 0.01 and a positive regression coefficient (Beta) value of 1.274. The machiavellian significance value is  $0.01 < 0.05$ , then H<sub>1</sub> is accepted. This means that the machiavellian character has a positive effect on the dysfunctional behavior of auditors. This shows that the higher the machiavellian nature of the auditor, the higher the possibility of the auditor's dysfunctional behavior in carrying out his auditing duties. Machiavellian is the nature of ignoring the importance of integrity and honesty in achieving goals. Auditors who have high machiavellian tendencies are likely to commit actions that violate professional ethics rules, causing dysfunctional behavior that will doubt the independence of an auditor in carrying out auditing duties. The results of this study are in line with

research conducted by Martini & Permana (2019) and Pradnyanita & Sujana (2019) which state that machiavellian traits have a positive effect on dysfunctional auditor behavior [5] 15].

- 2) The effect of role stress on auditors' dysfunctional behavior. The second hypothesis states that role stress has no effect on auditors' dysfunctional behavior. Based on Table 2, it can be seen that the t-test results on the role stress variable (X2) obtained a significance t value of 0.442 and a negative regression coefficient (Beta) value of 0.329. The significance value of role stress is  $0.442 > 0.05$ , then H2 is rejected. This means that role stress has no effect on the dysfunctional behavior of auditors. This proves that stress due to the many role stresses in their work (role stress) does not necessarily make auditors perform dysfunctional behavior. Properly managed work stress will help an auditor to perform well while still referring to existing standards. Stress at a certain level sometimes motivates someone to improve their performance to complete the job in accordance with the given task.
- 3) The effect of moderation emotional intelligence on the relationship of machiavellian traits on auditor dysfunctional behavior. The third hypothesis states that emotional intelligence moderates the influence of machiavellian characteristics on auditors' dysfunctional behavior. Based on Table 2, it can be seen that the results of the interaction coefficient of the machiavellian variable (X1) and emotional intelligence (X3) obtained a significance t value of 0.005 and a negative regression coefficient (Beta) value of 1.836. The significance value is  $0.005 < 0.05$ , then H3 is accepted. This means that emotional intelligence weakens the influence of machiavellian characteristics on auditors' dysfunctional behavior. This shows that the higher the emotional intelligence of an auditor, the smaller the influence of machiavellian characteristics on auditor dysfunctional behavior. Emotional intelligence is the ability to recognize and manage emotions and use these emotions to direct thoughts and actions [13]. If the auditor's emotional intelligence can be managed properly, it will motivate to behave in accordance with the rules of professional ethics that exist in each assignment so that it will reduce the occurrence of dysfunctional auditor behavior.
- 4) The effect of moderation emotional intelligence on the relationship of role stress on auditors' dysfunctional behavior. The fourth hypothesis states that emotional intelligence moderates the effect of role stress on auditors' dysfunctional behavior. Based on Table 2, it can be seen that the results of the interaction coefficient of the role stress variable (X2) and emotional intelligence (X3) obtained a significance value of t of 0.025 and a negative regression coefficient (Beta) of 1.768. The significance value is  $0.025 < 0.05$ , then H4 is accepted. This means that emotional intelligence weakens the influence of role stress on auditors' dysfunctional behavior. This shows that the higher the emotional intelligence possessed by an auditor, the smaller the effect of role stress on the auditor's dysfunctional behavior. Emotional intelligence is the ability to recognize and manage emotions and use these emotions to direct thoughts and actions. An auditor in carrying out his auditing duties often experiences role conflicts when he is faced with the expectations of the client and those of the company. With emotional intelligence, an auditor can overcome this conflict so that he can work well. If the emotional intelligence possessed by auditors can be managed properly,

they will be able to handle the demands and role stress experienced so that it will reduce the occurrence of dysfunctional auditors' behavior.

## 5 Conclusions

Based on the research problems, objectives, hypotheses, and discussion results in the previous chapter, it can be concluded that:

Machiavellian nature has a positive effect on the dysfunctional behavior of auditors. The higher the machiavellian nature of the auditor, the higher the possibility of the auditor's dysfunctional behavior in carrying out his auditing duties.

Role stress does not affect the auditor's dysfunctional behavior. Stress due to a large number of role pressures in their work (role stress) does not necessarily make auditors perform dysfunctional behavior.

Emotional intelligence weakens the influence of machiavellian characteristics on auditors' dysfunctional behavior. The higher the emotional intelligence of an auditor, the smaller the influence of the machiavellian nature of the auditor's dysfunctional behavior.

Emotional intelligence weakens the influence of role stress on auditors' dysfunctional behavior. The higher the emotional intelligence possessed by an auditor, the smaller the effect of role stress on auditors' dysfunctional behavior.

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