Auditor’s Participation In Time Budget Setting Towards Perceived Time Budget Attainability And Job Satisfaction

Nurhidayah Yahya and Nor Balkish Zakaria

Accounting Faculty, Universiti Teknologi MARA, Malaysia.

INTRODUCTION

The time budget is one of the very important key in an audit assignment. Auditors generally perceive that their performance evaluation and career advancement in an audit firm are strongly related to their ability to complete an audit assignment on time rather than to be based on the quality of audit performed [48,33]. Several factors need to be considered in order to attain the time budget. These factors are usually triggered by the time budget environment which is known as the stressors. Examples of stressors are workloads, relationships, career development, managerial responsibility, personal responsibility, home demands, and daily hassles [49]. McNamara and Liyanarachchi [33] also identified some of the time budget environments which include the clients’ fee, audit programs, the previous year time budget and auditors’ participation.

Greater participation in budget-setting also has a positive association with motivation [10]. Hence, the auditors should participate in setting their time budget. Stressor in the audit environment will lead to several outcomes; one of them is job (dis)satisfaction. Employees’ job dissatisfaction, turnover and poor data for future planning and controls usually associated with time budget pressure [12]. Unsatisfied workers could lead to high turnover which would be costly for the firm as their resources are reduced and they have to train new workers to do the job.

As the pressure of time budget may burdensome the auditors, job dissatisfaction may arise. The continuous effects of the time budget tightness will then contribute and affect the auditors’ job dissatisfaction level and vice versa. This study focuses on the outcome on the auditors themselves which is the job satisfaction arising from the perceived time budget attainability.

As the study contributes to the existing literature in this area it also extends the literature of the connection between stressors of the time budget participation with general job satisfaction literature. The auditors’ satisfaction towards their jobs in presence of the pressure of time budget is measured empirically.

The remainder of this paper is organized as follows: section 2 reviews prior literature and development of hypotheses are then described. Section 3, presents the research method. Section 4 provides the results and Section 5 concludes the paper.

Literature Review:

Several studies have shown the existence of pressures in the audit atmosphere [36,1,9,40,4,22]. For example, the pressure with the clients could be in terms of the clients’ size, clients’ financial health and the competition, which may lead to the pressure to retain the clients [46]. The outcomes of stress may include absenteeism, turnover, job performance, job satisfaction, organisational commitment, professional commitment, low morale, reduced productivity and turnover intentions [5,20]. Thus auditors’ job satisfaction (outcome) may
correlated to the job stressor of time budget pressure. It has a possible increment of job dissatisfaction as the time budget pressure increases and vice versa.

2.1 Time Budget Pressure (Stressor):
Limitations of time are common issues in present-day accounting environments. The pressures from time limitation may arise from sources such as the accounting firm, client management and the legislations and it exacerbate by the highly competitive public accounting market [48]. Time budget pressure arises when the allocated time for performing the audit task is insufficient. Furthermore, audit time budget pressure occurs when an audit firm assigns a limited number of audit hours to be used by auditors to complete particular audit procedures [32].

2.1.2 Perception of Time Budget Attainability:
Time budget attainability is the level of accomplishment of the time budget to be achieved. The auditors will be given time budget guidelines to complete their audit task and they have to work accordingly so that the assignments can be completed on time. The question that may arise is whether that time budget attainable. Budget attainability is considered as a major problem faced by public accounting profession since many auditors consider time budget to be very tight and practically unattainable [12].

2.2 Participation (Antecedent of Stressor):
Furthermore, the antecedents of the time budget pressure are crucial and should be given consideration. For example, the perception of auditors about the attainability of the time budget may differ as they participate in setting of their working time budget. The auditors’ perception of the time budget attainability will also relate to the outcomes of their job satisfaction in accordance with the attainability of the time budget they perceived. Nowadays, administrative or operational activities have included participation in work design and implementation, focus on the incremental change, orientation to customers and other process stakeholders and the use of statistical measures of process variation and control for its quality improvements [15].

Participation or participative decision making refers to the extent to which employees are given opportunities to control or influence their job environments [24]. If they are given opportunities to participate, it is presumed to boost the group effectiveness by increasing the individual’s sense of responsibility and ownership towards their work [11]. Furthermore, participation in the generation and evaluation of alternative strategies is often helpful in gaining commitment for a plan [3]. In addition, greater participation by senior auditors in setting a budget based on the requirements of the audit programme will ensure greater projection for audit quality [44]. Participation, influence or involvement by the employees may reduce the fatigue and stress. Therefore, participation by the auditors in their time budget setting is said to increase their time budget attainability perceived (reduction in stress).

2.3 Job Satisfaction (Outcome):
Stress can lead to individual and organisational outcomes as it creates a high job-related tension, a lower job satisfaction and health issues for the individual outcomes, whereas reduced audit quality, absenteeism and loss of staff for the organisational outcomes [19,33]. The effects are costly. Job satisfaction and dissatisfaction are dependent on the individuals’ perception and actual fulfillment from the job. It is crucial as it may lead to conflict in their jobs if these needs and expectation unfulfilled.

Job dissatisfaction may arise from a combination of low decision latitude and heavy job demands [26]. The degree of job satisfaction is to which an employee has positive emotions toward the work role [13]. The job characteristics produce intrinsic and extrinsic rewards that will satisfy individuals [42]. Components of overall job satisfaction is determined by satisfaction in several job domains such as pay, job security, promotion prospects, fringe benefits and the importance attached to the job. These include satisfaction with pay, fringe benefits, promotion prospects, job security and importance or challenge of work [2], Lee, An & Noh [30] found that job satisfaction derived from the job itself, job environment, organizational characteristics and social dimension.

Particularly, this study focuses on the job satisfaction outcome from the time budget pressure or the perceived attainability of it. As the satisfaction of the workforce crucial to the successfulness of the organisation, it could also be a measure to improve the organisational behaviour towards its staff.

2.4 Research Framework:
First of all, the participation of the auditors is the antecedent of stressors for the time budget attainability perceived by the auditors. Eventually, it leads to the outcome of the auditors’ job satisfactions that trigger from the time budget pressure.

The time budget environment of auditor in setting the time budget is the participation. Participation is seen as one of an important aspect in employees as they will be more motivated and try to achieve the time budget or
finish the work sooner than expected. Participation was also linked with more realistic time pressure, which was considered a motivating factor in trying to meet targets [44]. Previous literature indicates that it is not easy to implement genuine participative budget-setting because of the particular characteristics of the audit environment (rotating audit team, high staff turnover and nature of audit work) [44]. However, Otley and Pierce [36] found that participation resulted in high attainable time budgets perceived among the auditors. Thus the following hypothesis is to be tested:

Hypothesis 1: As the auditors level of participation in setting the time budget increase, the perceived time budget attainability will increase.

Finally, the outcome of this case is the job satisfaction. Studies from the literature generally state that the level of job dissatisfaction is high for the employees especially when they are facing pressure. The study on the facet of job satisfaction alone, Herbohn [23] found that the accountants stated that they are highly satisfied with their job in general. However, putting the aspect of job stress into picture, Darwish [14] in a study in an Arabic context found that job stress directly and negatively influence job satisfaction. Furthermore, Fisher [19] confirmed that both role conflict and role ambiguity are significantly inversely associated and have a detrimental effect on auditor job performance and job satisfaction of the external auditors. This is further supported by and Puck [34]. Therefore, hypothesis to be tested is:

Hypothesis 2: As the time budget is perceived as more attainable, the job satisfaction level will increase.

**Research Method:**

This study relies on the response from the distributed questionnaire in order to obtain the required data. Likert scale is employed since the variables are measured continuously and to help the respondents’ to indicate their response on several questions of attitude and perception. The Likert scale is a scaling technique easily understandable to measure and reflect the response towards an attitude [18].

Four Big headquarters audit firm namely PricewaterhouseCoopers, Ernst and Young, KPMG and Deloitte are the study population. However, due to participation readiness constraint, only two out of these big four participated. The Human Resources or the Public Relation Department for each audit firm are contacted. Three hundred hard copies of questionnaires were posted to the respective person for a random distribution among the auditors. They were sent within the month of August 2010 which is after the peak period of the auditors. Attached and enclosed together in the questionnaires are postage-paid envelopes addressed directly to the researcher. Follow ups and reminders were made through emails to the person in charge to collect back the questionnaires and sent them back to the researcher.

**RESULTS AND DISCUSSION**

The feedbacks are received within early and mid-September. The response rate is 37% (222 questionnaires) for both firms. However, after data screening, not all responses are usable. There are auditors who did not obtain any accounting professional qualifications. These respondents were put aside from the study. Only the auditors with minimum of bachelor degree qualification or respondents with professional qualification are chosen for the study. Besides, any incomplete questionnaires were disregarded from the study. Hence, the final questionnaires usable were only 159 (71.6% from the returned questionnaires).

4.1 **Reliability of Data:**

The Cronbach’s alpha coefficients calculated for the study is less than .70 (.655). However, each of the variables in the study has a Cronbach alpha of at least .70.

4.2 **Analysis Hypothesis 1:**

The first hypothesis is on the participation that is hypothesized to have an association with perceived attainability of time budget, where an increase in participation will lead to increase in time budget attainability perceived by the auditors. The first question for perceived time budget attainability variable is ‘In general, were the time budgets for jobs you worked on in the last year’. Most of them answer with ‘Attainable with
considerable effort’ which 43.4% from total respondents. Second question is ‘How often do you achieve your time budgets?’ and 50.3% answered ‘Sometimes’. Lastly, they are being asked ‘If you didn’t under-report time, how often would you meet your time budget?’ and 42.8% answered ‘Sometimes’.

| Table 1: Demographic of Respondents. |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                | Frequency | Percentage from | Percentage from | Frequency | Percentage from |
| Gender:         |           | the total       | the total       |           | the total       |
| Male            | 67        | 42.1            | Degrees         | 152       | 92.5            |
| Female          | 92        | 57.9            | Master          | 6         | 3.8             |
| Total           | 159       | 100             | PhD             | 1         | .6              |
|                 | 159       | 100             | Total           | 100.0     |
| Age:            |           |                 | Working experiences |           |                 |
| Under 20        | 1         | .6              | Less than 5 years | 142       | 89.3            |
| 20 – 29         | 86        | 54.1            | 5-9 years       | 14        | 8.8             |
| 25 – 29         | 63        | 39.6            | 10-14 years     | 2         | 1.3             |
| 30 – 34         | 7         | 4.4             | 20-24 years     | 1         | .6              |
| 35-39           | 1         | .6              | Total           | 159       | 100.0           |
| 40-44           | 1         | .6              |                 |           |
| Total           | 159       | 100             |                 |           |
| Position:       |           | Number of years working in current firm: |                       |
| Audit Manager   | 12        | 7.6             | Less than 5 years | 148       | 93.1            |
| Audit Senior    | 63        | 39.6            | 5-9 years       | 10        | 6.3             |
| Audit junior    | 84        | 52.8            | 15-19 years     | 1         | .6              |
| Total           | 159       | 100             | Total           | 159       | 100.0           |

In respect of “Budget being achieved”, 16% of the respondents never and rarely achieve their time budget. 12% of them are audit manager, 53% audit senior and 35% are audit junior. Looking at the auditor position, it shows an increase in seniority will lead to increase in pressure and decrease in attainable time budget perceived (supported by Willet & Page, [48]).

However, in relation of question where if the auditors “Did not under report their time”, there is an increase of response where 33% of them never and rarely achieve their time budget. 9% of them are audit manager, 45% audit senior and 46% audit junior. It shows that most of the auditors have to under report their time to achieve the targeted time budget. This is the same findings from the Irish auditors which report lower mean of time budget attainment if the auditors did not under report [36].

As for the participation, there is a considerable level of participation among auditors in setting time budgets and targets in general. The findings show that 30% of the respondents rarely and never feel they have a significant influence in preparing the time budgets but the other 70% feels they sometimes, often and nearly always have. Besides, 17% of the respondents feel they have only very limited or no influence at all, which indicate another 83% of the respondents have some extent to the very great extent of influence in the goals and standards they are expected to achieve. These show a high influence of the auditors over their goals and performance standards and time budget preparation in general. In contrast with Otley and Pierce [36] and Soobaroyen and Chengabroyan [40], this study shows a higher participation respond from the auditors. It indicates that the Malaysian auditors are given more participative and influence in setting their own time budget rather than in Ireland and Mauritius.

The high participation adopted can enhance the team-work among the auditors in order to get the job done on time as planned. Besides, it could be the auditors’ superior applying a down-top approaches which more motivating the employee. It can boost the subordinates productivity and job performance [28,10]. These will then lead to productivity and effectiveness. This is in contrast with Davenport, et al., [15] who found companies most frequent methods implemented are top-down and only involve little employees’ participation.

Next, the Pearson correlation is computed. It shows that both variable are strong and positively correlated (r =.597, p < .05). This is shown in Table 2. It indicates that the auditors perceived their time budget will be more attainable in association of their higher participation in setting their time budget. On top of that, the coefficient of determination between those two variables is 35.64% (.597^2 x 100). Hence, the participation in time budget setting helps to explain nearly 36% of variance in respondents’ scores in perceived time budget attainability. This show a respectable amount of variance explained [38].
Table 2: Correlations between Perceived Time Budget Attainability and Participation.

<table>
<thead>
<tr>
<th>Participation</th>
<th>Pearson Correlation</th>
<th>N</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Budget Attainability</td>
<td>1</td>
<td>159</td>
<td>.597**</td>
<td>159</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.900</td>
<td>159</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).

4.3 Analysis of Hypothesis 2:

The second hypothesis is the relation of job satisfaction with the perceived time budget attainability. Overall, respondents are neither satisfied nor dissatisfied with their job. 45.3% are neutral about their work job, 47.2% are satisfy with their co-workers, 51.6% are neutral with the supervisions, 40.9% are neutral with the salary and 55.3% are neutral with promotion opportunities. They are mostly feel satisfy towards neutral (mean are around 3) for all their job satisfaction facets except for their salary. 42.2% of the respondents are at least “dissatisfied” with their salary. 44.7% of them are audit junior, 44.8% are audit senior and 10.5% are audit manager. Moreover, 81.3% who response “strongly dissatifisfy” with the salary are the audit senior. This shows a high dissatisfaction among audit senior regarding their salary. Based on Herbohn [23], among the five elements of the job satisfaction, the Australian accountants are most dissatisfied with the opportunities for promotion, especially the female accountants. They are most satisfied with their co-workers.

In order to test for relationship and correlation of job satisfaction and perceived time budget attainability, Pearson’s correlation is used. The result shows that there is a medium positive correlation between job satisfaction and the perceived time budget attainability (r = .344, p< .05). This explains that the auditors’ job satisfaction will increase when they perceived their time budget is more attainable. Moreover, the coefficient of determination between those two variables is 11.83% (.3442 x 100). Thus, the time budget attainability perceived by the auditors helps to explain nearly 12% of variance in respondents’ scores in job satisfaction. Overall, there is a moderate, positive relationship between the perceived budget attainability with the auditors’ job satisfaction.

Table 3: Correlations between Perceived Time Budget Attainability and Job Satisfaction.

<table>
<thead>
<tr>
<th>Time Budget Attainability</th>
<th>Pearson Correlation</th>
<th>N</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>Job Satisfaction</th>
<th>Pearson Correlation</th>
<th>N</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Budget Attainability</td>
<td>1</td>
<td>159</td>
<td>.000</td>
<td>159</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.344**</td>
<td>159</td>
<td></td>
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<tr>
<td>N</td>
<td>.000</td>
<td>159</td>
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</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).

Hence, Hypothesis 2 is accepted. This is in line with the literature of job stress and job satisfaction where job satisfaction tends to increase as the auditors perceived the time budget attainable or reduce in job stress.

4.4 Discussion:

Despite of the results and findings, there are several limitations that need to be considered when interpreting the results of the study. Firstly, the survey relies on participants’ interpretations of the relevant scales used. Participants may have different perceptions about what they considered of an attainable time budget [36]. What a person perceives may differ from others though it is about the same matter. Furthermore, different approach of analyzing data may result to different outcomes which may not be directly comparable. For example, Otley & Pierce [37] using the parametric approach to conduct the test while McNamara and Liyanarachchi [33] take a non-parametric approach to test the variables. Besides, due to differences in audit work environments across the country, the results may not be able to be generalised to audit practice outside Malaysia.

4.4.1 Discussion on Hypothesis 1:

Based on the correlation, thus Hypothesis 1 is accepted. This is in line with the findings of previous studies [36,33]. It shows that participation of the auditors in setting their time budget seems to be important as the auditors will be motivated to achieve them as they perceived the time budget is more realistic [44]. They will perceive that the time budget is more attainable and they might need to consider their own reputation as they are setting the time budget and they need to strive in order to achieve their own targeted goals and take...
responsibility for it. However, sometimes the time budget become tighter targets where the senior wanted to impress the manager at the planning stage [44]. Hofstede as stated in Otley and Pierce [36] has found that participative budget lead to better communication and more relevant budgets. It also leads to greater acceptance and dedication to the budget as an attainable target. This is supported by Nouri and Parker [35] that budget participation leads to high budget adequacy which, in turn, increases job performance. Furthermore, Nouri and Parker [35] also found that if employees think that the organisation is responsible to ensure that they receive adequate budgetary support, then it is likely to increase their relationship with the organisation.

Nouri and Parker [35] proposed that subordinates often have better information about the level of budget required to perform their tasks than their superiors and will attempt to include this information into the budget to ensure that they have adequate resources to perform their duties successfully. However, Sweeney and Pierce [44] found that information sharing by the subordinate with the superior is rarely necessary as the superior generally has more information than the subordinate. The superiors could plan their jobs in a short period of time and see participation as a delay. Sweeney and Pierce [44] found that in the existence of participation, there is a direct effect on the tightness of the budget. Where the senior is motivated to secure a good budget report on completion of the assignment, the level of participation in setting time budgets is inversely related to budget tightness. However, in situations where the senior is motivated by a desire to impress superiors at the planning stage of assignment, the level of participation in setting time budgets is positively related to budget tightness. From the result, the superiors can use the findings to motivate their subordinates in achieving the targeted goal. They could ask the subordinates to join and discuss together on the time budget framework and goals to be accomplished. Hence, the auditors will perceived their time budget as more attainable rather than if they do not participate in deciding it. These criteria could be part of the working system, working approach and leadership style so that the whole team can reach their goal effectively and productively.

4.4.2 Discussion on Hypothesis 2:

The results on second hypothesis found that when the auditors perceived their time budget as attainable, their job satisfaction will increase. This is in line with previous studies [for example, Sullivan & Bhagat [43]; Currivan [13], Fisher [19], Darwish [14], Mohr & Puck [64] and Leat & El-Kot [29] where the job stress will negatively influence the employees’ commitments and job satisfaction. The potential effects of job stress are costly, not only to the individual in terms of emotional consequences such as high job-related tension and low job satisfaction, but also to the organization in terms of lower quality of performance and higher turnover [19]. Effort on uncooperative governance should be increase to improve the distributive fairness to achieved high level of job satisfaction [31].

There are several convincing reasons why the firm should concern about job satisfaction of the workers. One of it is job satisfaction is found to be a strong influence on workers’ and hence the firm's performance. The firms are likely to benefit through lower job turnover and higher productivity if their workers have a high level of job satisfaction. It is also important for workers to be happy in their work, given the amount of time they have to devote to their work [2]. Specifically, job-related stress has frequently been associated with the auditing profession. The possibility of role stress being associated with poor performance and job dissatisfaction should be a significant concern to the auditing profession. Lower levels of audit performance can lead to inefficient and ineffective audits which, in turn, unnecessarily expose audit firms to legal liability, loss of revenue, and diminished credibility [19].

An understanding of the values and preferences of the auditors are critical to the effective management of such employees in the firms. These professionals must be highly motivated to perform and stay with the firm. Hence, firm management must be concerned with the auditors’ level of satisfaction. To be successful, the firms must be able to maintain a satisfied workforce in their offices across all the countries in which they operate [50]. In the context of this study, job satisfaction will be increase if the auditors perceived their time budget are attainable. To make it into a bigger picture, the management and the leader if the audit firm should include the auditors into decision making of the time budget framework and sheet. This will enhance their perception of the attainable time budget, hence increase their job satisfaction of their work. Since all the aspect can be connected and related, it is crucial for the management and top ranked seniors of the audit firm to look into the matter more seriously. They can start to pro-actively include and ask participation from the lower level auditors and the junior auditors to eventually boost the auditors’ job satisfaction and the firm’s performance.

Conclusion and Limitations:

The perceived time budget attainability has an effect on the auditors’ job satisfaction and can be influenced by the auditors’ participation in setting the time budget themselves. The result show a strong positive correlation between participation and time budget attainability perceived. Furthermore, when the job stress is perceived as low (high perception of time budget attainability) it will increase the job satisfaction. However, this study only used the sample of auditors from the Malaysia’s Big Four audit firms unlike previous studies like McNamara and Liyanarachchir [33], their respondents are the auditors from both big and non-big audit firms. Hence, for
future studies in Malaysia, the Big Four audit firms and non-Big Four audit firms can be used as the sample. As for the Big Four, bigger scope of population which includes the headquarters and the firms’ branches is better for further generalisation and comparisons. The analysis can compare the perceptions and behaviours of the auditors, under different environments and work culture. For example, the environment and attitude of over commitment in the big audit firm is considered one of the depression symptoms [47]. Further, a comparison between external auditors and internal auditors’ behaviour can also be done.

Furthermore, this study does not fully analyse the whole factors of the time budget environments as per McNamara and Liyanarachchi [33]. Only participation factor being studied upon because the subject is a crucial factor. Thus, a liberty for future research could include other stressors and characteristics of audit environments like the audit firm type, the clients’ fee, auditors’ position, audit programme and last year’s time budget. The stressor scales can also cover pressure from relationships, career development, managerial responsibility, personal responsibility, home demands, and daily hassles [49].

In addition, this study only uses the survey approach to study the auditors’ behaviour. For further improvements, future studies can use a mix method of questionnaires and interviews. This can contribute to a closer look at the dysfunctional behaviours of the auditors together with why and how they did them. It can also show the real time situation of the auditors and their perceptions, from the staff auditors up till the top rank audit partner. Although it is time consuming but the researcher can meet face-to-face and ask the auditors regarding their practices. Sweeney and Pierce [44] conducted a study using such method of research. Besides, the questions concerning the impact of the job environment (e.g. job stress, organisation policies and procedures) cannot be adequately answered just by using self-reported study [41].

Furthermore, the study can be conducted in such a way of comparing stress with other nature of work. For example, there could be studies to compare the time budget attainability of the high-level and low-level managers. Given different nature of works, working environments and culture but having the same pressure of deadlines and time budget could provide a good comparison for the literature. It is expected to have a difference in the effects of budgetary participation on high-level and low-level managers [21].

Finally, as this study only covers the aspect of job satisfaction as the outcome, other outcomes can also be analysed such as the auditors’ absenteeism, turnover, changes in job performance [7], anxiety, depression, resilience, worry, physical symptoms, and exhaustion [49]. Further, the outcome can be the individual and the organisation itself. In terms of the outcome and effect of the time budget pressure to the organisation, it can be the organisational satisfaction, organisational security and organisational commitment [49]. All these will provide and contribute to a more complete model catering all possible outcomes.

REFERENCES


