

## Analysis Of Audit Quality Factor Model Of Cooperative Auditors In Thailand

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### Abstract

This investigates components of measurement model of audit quality of cooperative auditors in Thailand with empirical data. The research population is 1,299 cooperative auditors in Thailand with the sample group of 460 persons. The data was collected by questionnaires for opinions about the cooperative audit quality. The statistics were analyzed for frequency, average, standard deviation and 2nd confirmatory factor analysis of audit quality (2nd order CFA). The research results revealed that the components Of measurement model of the cooperative audit quality was consistent with the empirical data. Cooperative Auditing Department should develop and encourage cooperative auditors to have knowledge and understanding in professional ethics, professional skepticism and audit process in order to improve the quality of cooperative auditing to be appropriate for the expectations of the society..

**Keywords:** Audit Quality, Measurement Model, Cooperative Auditors

### 1. Introduction

The fraud problem in accounting causes severe damage. It can be seen from the bankruptcy of several big companies in foreign countries such as Enron, WorldCom, Tyco international, Global Crossing, Adelphia, Xerox. Therefore, the accounting industry, both internationally and locally, has begun to have more interest in corporate governance or quality control of audit work (Agoes & Rahmina, 2014; Sae-Lim & Jermsittiparsert, 2019). At present, the fraud problem of cooperatives affect many members and stakeholders. This causes the auditors of the cooperatives in Thailand to be considered on professional ethics. It is the reason why the Cooperative Auditing Department have to inspect the quality of audit work to be of reliable quality and beneficial to cooperatives, members of the cooperatives, and those involved. The cooperative is a type of business organization that deals with general business entities. The business operations totaled 2.30 trillion baht or 14.86 percent of the gross domestic product (GDP) (Cooperative Auditing Department: [CAD], 2020). The professional ethics of the auditors are very important to the auditing quality. In 2016, the Cooperative Auditing Department thus established the regulations for the registrar of cooperatives on the ethics of cooperative auditors in accordance with the regulations of the Federation of Accounting Professions at that time. However, the auditing researchers both internationally and in Thailand still encounter problems about professional skepticism as it is a complex phenomenon. It is the attitude of the auditors and can only be observed from expressive inspection behavior. This is difficult to define and measure for studying. Thus, the study of such professional skepticism may improve the quality of cooperative auditing (Hurtt, 2010; Laohamethanee, 2015). In 2010, the Cooperative Auditing Department established the standards for auditing procedures including (1) determining an audit plan for cooperatives, (2) planning the audit, (3) performing the audit, and (4) evaluating the results

from the audit evidence. Therefore, this study aims at studying the causal factors from professional ethics, professional skepticism, and cooperative auditing processes that may affect the audit quality of cooperative auditors in Thailand.

## 2.Literature review

Professional Ethics: The Cooperative Auditing Department has established the Cooperative Registrar Regulations on the Code of Ethics of Cooperative Auditors B.E. 2559 with the content in the requirements from Chapter 2 to Chapter 7, namely, Chapter 2: Transparency, Independence, Fairness, and Integrity, Chapter 3: Knowledge, Competence, and Operating Standards, Chapter 4: Confidentiality, Chapter 5: Responsibilities to the Service Users, Chapter 6: Responsibilities to those the Cooperative Auditors Performed the Audit for, Chapter 7: Responsibilities to Professionals and general ethics. In the United States, regarding the differences between the office and the audit team, it was found that the auditors of the small and medium-sized offices would consider professional ethics more in resolving conflicts with management in the auditing unit before concluding the audit performance (Espinosa-Pike & Barrainkua, 2016). Therefore, it is possible to define 7 observed variables of the professional ethics.

Professional Skepticism: Professional skepticism was mentioned by several international auditing standards. Glover & Prawitt (2014) found that some professional skepticism stems from complex financial transactions. This makes users of financial statements more demanding for the auditor's confidence through the quality of audit work which includes the auditor's professional skepticism. For elements of professional skepticism, most of the auditing scholars have applied the concept following the 6 aspects of Hurt's scales (2010). In Thailand, there is not much research on audit quality. Pailin Trongmaneerat and Nawaporn Puangmanee (2014) said that professional skepticism is evident in a wide range of auditing standards. Worawit Laothamethanee (2015) found that professional values influence positive correlation to professional observation and auditing quality especially the report of auditor disseminated to public. Chanchai Tangruangrat (2016) studied the suitability of the Professional Skill Scale developed by Hurt (2010). When applied in Thailand to study the effects of demographic characteristics, it was found that Hurt's scales were similar to the level of professional skepticism. Therefore, observable variables of professional skepticism can be determined in a total of 6 aspects.

Audit Process is the process used by the auditors to perform their duties in order to achieve results according to the established standards. Therefore, the cooperative auditor, as the auditor of the cooperative's financial statements, should have operational processes in order to obtain them. The audit evidence is sufficient and appropriate to cover the financial, accounting and administrative aspects of cooperatives (Cooperative Auditing Department: [CAD.], (2010). For the audit process, in this research, the researchers used the concept of the Cooperative Auditing Department and the researchers both internationally and in Thailand in order to determine the observed variables in 6 areas.

## 3.Research Methodology

The population used in this research was 1,299 cooperative auditors (CAD, 2017). The stratified random sampling was done with the samples of 460 persons which is more than the criteria of sampling determination of Hair et al. (1998). The sample size must be approximately 10-20 times the empirical variables. As there are 19 empirical variables here, at least 190-380 questionnaires should be collected. The data collection period was from January 2019 to March 2019.

The tools used in this research were both tools built by the researchers and the tools greatly improved by the researchers from those have already created. There are 19 components of the audit quality characterized as a 5 Likert Rating Scale (5 = most to 1 = least). The revised questionnaire, along with the researcher-created consistency assessment, was proposed to 6 experts to assess the consistency between the content of the question and the operational term definition. The IOC was found that the entire questionnaire was 60% or more, or the consistency between 0.60-1.00 met the criteria used to determine the validity of the content. The calculated value must be greater than 0.50 ( $IOC > 0.50$ ) (Sirichai Kanchanawasi, 2002). Confidence was tested on 30 non-sample subjects in all research questions. The questions were 0.781-0.996 with  $\alpha$  from 0.70 and above. It is considered that the questions have reliability (Laddawan Petchrote and Atchara Chamniprasart, 2002). After all questionnaires have been returned, the researcher checked the quality of the questionnaire again. The audit process had the accuracy of 0.939, 0.957, and 0.920, respectively, suitable for use in elemental analysis. The criteria for interpretation of the five levels of mean were the highest (4.21-5.00), high (3.41-4.20), moderate (2.61-3.40), low (1.81-2.60) and the lowest (1.00-1.80).

The research hypotheses were tested through data analysis of the second confirmatory factor analysis of audit quality to check consistency and develop a form and composition. In the case that the model was analyzed according to the conceptual framework in the research using the data obtained from the samples analyzed

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inconsistent, the model was adjusted by considering the Model Modification Indices in accordance with the empirical data.

### **4. Research Finding**

From studying the audit quality factor, it can be summarized as follows.

1. Factors affecting the audit quality of cooperatives are as shown in Table 1.

**Table 1:** Mean, standard deviation and level of factors affecting the audit quality of the cooperative auditors in Thailand

Particulars	Mean	Standard deviation	Level
<b>Factors affecting the auditing quality</b>			
<b>1. Professional ethics</b>			
- Independence	4.52	0.72	Highest
- Transparency, fairness, and honesty	4.47	0.74	Highest
- Knowledge, competence, and performance standards	4.41	0.76	Highest
- Confidentiality	4.39	0.74	Highest
- Responsibility to service users	4.36	0.72	Highest
- Responsibilities towards those whom the cooperative auditors perform for	4.44	0.73	Highest
- Responsibility towards fellow professionals and general ethics	4.39	0.74	Highest
<b>Total</b>	<b>4.43</b>	<b>0.63</b>	<b>Highest</b>
<b>2. Professional skepticism</b>			
- Questioning Mind	4.39	0.73	Highest
- Suspension of Judgment	4.42	0.74	Highest
- Search for Knowledge	4.46	0.78	Highest
- Interpersonal Understanding	4.37	0.74	Highest
- Self-Determining or Autonomy	4.28	0.90	Highest
- Self-Confidence	4.25	0.88	Highest
<b>Total</b>	<b>4.38</b>	<b>0.73</b>	<b>Highest</b>
<b>3. Auditing processes</b>			
- Audit planning	4.38	0.42	Highest
- Arrangement of the audit team	4.39	0.67	Highest
- Determination of the audit period	4.36	0.76	Highest
- Audit performance	4.23	0.97	Highest
- Review of audit work	4.23	0.91	Highest
- Completion of the audit work	4.21	0.97	High
<b>Total</b>	<b>4.29</b>	<b>0.66</b>	<b>Highest</b>

2. The results of second confirmatory factor analysis of auditing quality of the cooperative auditors in Thailand revealed that the causal relationship model was consistent with the empirical data as shown in Table 2 and Figure 1.

**Table 2:** Results of second confirmatory factor analysis of auditing quality of the cooperative auditors in Thailand

Variables/indicators	b(S.E.)	Factor Scores	R <sup>2</sup>
		Regression (fs)	
<b>Factors affecting the auditing quality</b>			
<b>1. Professional ethics</b>			
- Independence	0.709**(----)	0.221	0.587
- Transparency, fairness, and honesty	0.719**(0.050)	0.122	0.455
- Knowledge, competence, and performance standards	0.646**(0.042)	0.178	0.511
- Confidentiality	0.680**(0.043)	0.193	0.543
- Responsibility to service users	0.560**(0.049)	0.024	0.531
- Responsibilities towards those whom the cooperative auditors perform for	0.712**(0.042)	0.255	0.623
- Responsibility towards fellow professionals and	0.713**(0.046)	0.166	0.517

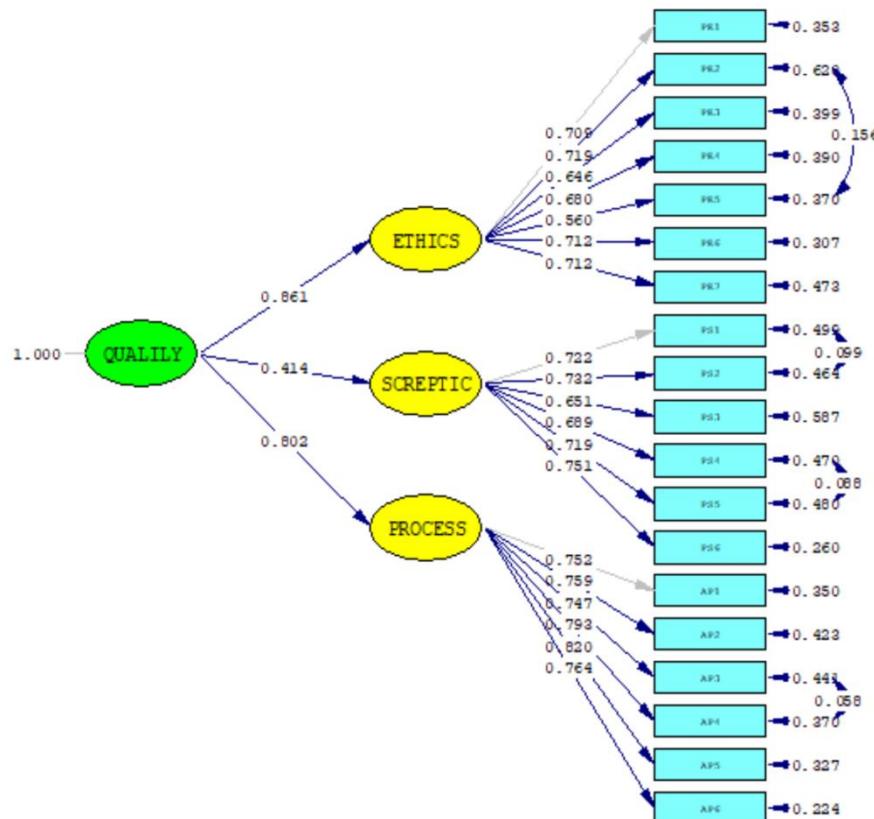
general ethics			
<b>2. Professional skepticism</b>			<b>0.772</b>
- Questioning Mind	0.722**(----)	0.155	0.511
- Suspension of Judgment	0.732**(0.045)	0.173	0.536
- Search for Knowledge	0.651**(0.051)	0.145	0.419
- Interpersonal Understanding	0.689**(0.051)	0.161	0.502
- Self-Determining or Autonomy	0.719**(0.052)	0.167	0.518
- Self-Confidence	0.751**(0.048)	0.379	0.685
<b>3. Audit processes</b>			<b>0.644</b>
- Audit planning	0.752**(----)	0.179	0.618
- Arrangement of the audit team	0.759**(0.044)	0.150	0.577
- Determination of the audit period	0.747**(0.044)	0.120	0.559
- Audit performance	0.793**(0.043)	0.160	0.630
- Review of audit work	0.820**(0.043)	0.209	0.672
- Completion of the audit work	0.764**(0.038)	0.284	0.723

Chi-Square = 194.38, df = 145, P = 0.05891, GFI = 0.957, AGFI = 0.943, RMR = 0.0466

\*\*p<0.01

Note: b is the element weight. S.E. is the standard tolerance. fs is the element coefficient.

R2 is the forecasting coefficient.



Chi-Square=194.38, df=145, P-value=0.05891, RMSEA=0.027

**Figure 1** Coefficients of second confirmatory factor analysis of auditing quality of the cooperative auditors

#### 4.Discussion AND Conclusion

The results of the study on the factors of auditing quality of cooperative auditors in Thailand can be discussed as follows:

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1. The professional ethics should emphasize the independence of the auditors. Therefore, the factor that create added value in the audit work and the reputation of the auditors is the continuous professional development with the realization of professional ethics resulting in a famous auditor (Agoes & Rahmina, 2014; Sudsomboon & Intakun, 2016; Kasetsart University, (2016).

2. The auditing process is a critical component of audit quality because of its industry expertise. The good audit techniques will have positive impact on the detection of fraud and mistakes in the audit process. This agrees with Ghosh, Xing & Wand (2016) because the auditor has to exercise discretion affecting the duration of the audit. The likelihood that the auditor's report will be mistaken by special items from the entity's accounts will further enhance the quality of the audit work (Agoes & Rahmina, 2014).

3. The professional skepticism is essential to audit quality. However, the auditor should control the degree of skepticism first, resulting in better audit quality (Rodgers, Mubako & Hall, 2017). Therefore, professional skepticism may have a positive impact on the reporting process in the audit process if appropriately applied.

The recommendation from this research is that the components of audit quality of the cooperative auditors in Thailand are professional ethics at the most important component. These are followed by the audit process and professional skepticism. Thus, in the development of cooperative auditors to perform their work with quality, the cooperative auditors should be encouraged to adhere to the professional code of ethics of the cooperative auditor appropriate for the profession. Effective performance in the audit process has also led to professional skepticism for better audit quality of the auditors of the cooperative auditors. This will bring credibility, accuracy and fairness to the financial statements of cooperatives so that the government can promote the cooperative system for the development of cooperative members in the country for further progress..

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