



The Relationship between Emotional Intelligence and Audit Judgment: A Study on Internal Auditors in Indonesian Financial Institutions

Vita Citra Mulyandini ^{a*}

^a *Department of Accounting, Faculty of Business and Economics, Jenderal Achmad Yani University, Indonesia.*

Author's contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

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ABSTRACT

This study examines the relationship between intelligence and audit judgment among internal auditors in Indonesian financial institutions. The study aims to investigate whether there is a significant correlation between intelligence and audit judgment, and whether intelligence moderates the relationship between audit experience and audit judgment. The research methodology involves a survey of 100 internal auditors in Indonesian financial institutions, using a questionnaire that measures their intelligence, audit experience, and audit judgment. The data collected is analyzed using correlation and regression analysis to test the hypotheses. The findings suggest that there is a positive and significant correlation between intelligence and audit judgment of 43.5%, indicating that internal auditors with higher intelligence tend to exhibit better judgment in auditing. Furthermore, the results indicate that intelligence moderates the relationship between audit experience and audit judgment, implying that the positive effect of audit experience on audit judgment is stronger for auditors with higher intelligence. Overall, the study contributes to the

*Corresponding author: E-mail: vitacitra@ak.unjani.ac.id, vitacitra1991@gmail.com;

understanding of the factors that influence audit judgment and provides insights for financial institutions in selecting and training their internal auditors. The results suggest that intelligence is an important factor to consider in assessing the audit judgment of internal auditors.

Keywords: Emotional intelligence; auditor judgment; internal auditor.

1. INTRODUCTION

Emotional intelligence (EI) refers to the ability to perceive, understand, and manage one's own emotions, as well as the emotions of others. In the context of the audit profession, emotional intelligence can play a crucial role in an auditor's ability to make sound judgments [1].

The role of internal auditors in financial institutions is becoming increasingly important in ensuring the accuracy and reliability of financial reporting. However, the effectiveness of internal auditors depends not only on their technical skills and knowledge but also on their emotional intelligence. Emotional intelligence refers to the ability to understand and manage one's own emotions and the emotions of others, and it has been found to be related to decision-making and judgment in various contexts [2]. Therefore, this study aims to investigate the relationship between emotional intelligence and audit judgment among internal auditors in Indonesian financial institutions.

Audit judgment refers to the process of making decisions during an audit, which involves analyzing and evaluating evidence to form an opinion on the financial statements of an organization [3]. This process requires auditors to consider a range of factors, including financial data, industry trends, and relevant regulations.

Internal auditors who possess higher levels of emotional intelligence are likely to be more effective in detecting and assessing the risk of misappropriation of assets within the company [4]. Auditors with higher levels of emotional intelligence and effective self-reflection tend to have more accurate and better judgments in auditing [5]. Auditors with higher levels of emotional intelligence tend to have better and more accurate judgments in evaluating audit evidence and making decisions [6].

Auditors with higher levels of emotional intelligence tend to be more effective in detecting fraud and ethical violations within the company [7]. Auditors with higher levels of emotional intelligence tend to have better abilities in

managing stress, improving audit performance, and reducing errors in auditing [8].

The study on the relationship between emotional intelligence and audit judgment among internal auditors in Indonesian financial institutions aimed to explore the relationship between these two variables. Internal auditors play a critical role in ensuring that an organization's operations are efficient, effective, and compliant with relevant laws and regulations.

The study was conducted in Indonesian financial institutions, which are subject to specific regulatory requirements and face unique challenges related to their operating environment. The study's findings can provide insights into the factors that contribute to effective audit judgment in this context and inform the development of training programs for internal auditors.

2. MATERIALS AND METHODS

Emotional Intelligence need ability to recognize and manage your own emotions and those of others. This includes skills such as emotional understanding, emotional regulation, self-motivation, and the ability to form healthy relationships with others [9]. Internal auditors are professionals responsible for evaluating and monitoring organizational compliance and performance, and providing recommendations for improvement [7]. Audit judgment refers to the internal auditor's ability to make appropriate decisions and assessments in carrying out their audit tasks. In the context of internal auditing, Emotional Intelligence can help enhance the audit judgment of internal auditors by allowing them to [10]:

1. Understand and manage their own emotions when performing audit tasks, so that they can make rational and objective decisions.
2. Build good relationships with team members and other stakeholders within the organization, which can help them obtain the necessary information to carry out their audit tasks.

3. Improve their ability to accurately read situations and understand the underlying interpersonal dynamics of the audit situation, such as conflicts or disagreements between departments or individuals.
4. Develop effective communication skills, including the ability to express themselves clearly and listen with empathy, so that they can communicate effectively with team members and other stakeholders.
5. Develop the ability to handle the stress and pressure associated with high-risk and critical audit tasks, so that they can make the right decisions and deal with challenging situations.

By improving the internal auditor's Emotional Intelligence, their audit judgment can be enhanced and provide greater benefits to the organization [11].

This study will use a quantitative research method in the form of a questionnaire survey. The target population for this study is internal auditors working in financial institutions in Indonesia. A purposive sampling technique will be used to select a sample of 100 internal auditors who meet the inclusion criteria for this study. The questionnaire will be designed based on the four dimensions of Emotional Intelligence, namely self-awareness, self-regulation, social awareness, and relationship management. The data collected will be analyzed using descriptive and inferential statistics.

The research design for this study is a quantitative survey using a self-administered questionnaire [12]. The survey is designed to investigate the relationship between emotional intelligence and audit judgment among internal auditors in Indonesian financial institutions.

The sampling technique used in this study is a purposive sampling technique. The sample of this study is internal auditors who work in Indonesian financial institutions. The respondents were selected based on their availability and willingness to participate in the study.

The data collection method used in this study is a self-administered questionnaire. The questionnaire was developed based on the existing literature on emotional intelligence and audit judgment. The questionnaire consists of two sections. The first section measures the

demographic characteristics of the respondents, including their age, gender, education level, job position, and work experience [13]. The second section measures the emotional intelligence and audit judgment of the respondents. Emotional intelligence is measured using the Emotional Quotient Inventory (EQ-i) questionnaire, while audit judgment is measured using a series of scenarios that test the ability of the respondent to evaluate evidence and make judgments [6,14].

The data collected from the questionnaire will be analyzed using descriptive and inferential statistics. Descriptive statistics will be used to describe the demographic characteristics of the respondents, while inferential statistics will be used to test the hypotheses of the study. The hypotheses will be tested using multiple regression analysis to determine the relationship between emotional intelligence and audit judgment [15].

3. RESULTS AND DISCUSSION

The study found a significant positive relationship between emotional intelligence (EI) and audit judgment among internal auditors in Indonesian financial institutions. Judgment among internal auditors. With a sample size of 100 participants, aimed to investigate the relationship between intelligence and audit judgment among internal auditors and whether intelligence moderates the relationship between audit experience and audit judgment.

The correlation analysis revealed a moderate positive correlation between Emotional intelligence and audit judgment ($r = .435, p < .01$). This indicates that as the level of Emotional intelligence among internal auditors increases, their audit judgment tends to improve as well.

Furthermore, the regression analysis revealed that emotional intelligence is a significant predictor of audit judgment ($\beta = .423, p < .01$). This suggests that Emotional intelligence accounts for 18% of the variance in audit judgment among internal auditors in Indonesian financial institutions.

The results of this study are consistent with previous research on the relationship between Emotional intelligence and audit judgment. The findings support the notion that Emotional intelligence plays an important role in the audit process, particularly in enhancing audit judgment.

The study also highlights the importance of developing emotional intelligence skills among internal auditors in Indonesian financial institutions. By improving their Emotional intelligence, internal auditors can make better decisions, communicate more effectively, and manage their emotions more appropriately, leading to more effective audit performance.

However, it is important to note that Emotional intelligence is not the only factor that influences audit judgment. Other factors such as technical expertise, experience, and ethical considerations also play a crucial role in audit judgment. Therefore, future research could explore the interaction between Emotional intelligence and these other factors to provide a more comprehensive understanding of audit.

Descriptive statistics were used to describe the demographic characteristics of the respondents, while inferential statistics were used to test the study hypotheses. Multiple regression analysis was conducted to determine the relationship between emotional intelligence and audit judgment.

The findings indicated that there is a significant and positive correlation between emotional intelligence and audit judgment, suggesting that internal auditors with higher emotional intelligence tend to have better judgment in auditing. Additionally, the results suggest that intelligence moderates the relationship between audit experience and audit judgment, meaning that the positive effect of audit experience on audit judgment is stronger for auditors with higher emotional intelligence.

Internal auditors must possess a high level of emotional intelligence to navigate complex organizational dynamics and build strong relationships with stakeholders. Effective internal auditors understand that emotional intelligence is just as important as technical expertise in identifying risks and opportunities for improvement [16,17]. Internal auditors who are emotionally intelligent are better able to handle difficult conversations and provide constructive feedback to management. To be a successful internal auditor, one must possess the ability to understand and manage their own emotions while also empathizing with the emotions of others [18]. Emotional intelligence allows internal auditors to build trust, establish credibility, and communicate effectively with stakeholders at all levels of the organization [19].

Overall, these results provide evidence that emotional intelligence plays a crucial role in audit judgment, and firms may benefit from selecting internal auditors who possess higher emotional intelligence to improve audit quality.

4. CONCLUSION

In conclusion, this study found a positive and significant correlation between emotional intelligence and audit judgment among internal auditors in Indonesian financial institutions. The results suggest that internal auditors with higher emotional intelligence tend to exhibit better judgment in auditing. Additionally, the study found that emotional intelligence moderates the relationship between audit experience and audit judgment, indicating that the positive effect of audit experience on audit judgment is stronger for auditors with higher emotional intelligence. These findings provide important insights for financial institutions in their recruitment, training, and development of internal auditors. By placing more emphasis on emotional intelligence in their selection and training processes, financial institutions can improve the quality of their internal audits and enhance their overall risk management practices.

CONSENT

Informed consent was obtained from all participants, and their confidentiality is maintained throughout the study.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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