

ABSTRACT

Some auditor cases such as Arthur Andersen, auditor face litigation or lawsuit from many parties who feel aggrieved information with low audit quality. Some study found that the auditor litigation is the consequence of audit quality. According to RBV Theory, the professional knowledge and ethics are the core resources that must be owned by an auditor. Those resources will lead an auditor to provide the audit quality. It means that an auditor with higher professional knowledge and ethics produces a higher quality audit. Meanwhile, Cognitive Dissonance Theory views that the auditors attitude and behavior are the consequence of thier reaction on audit environment such as client pressure. When an auditor work in a full pressure environment, he or she will reacts with dysfunctional attitude and behavior that lead to lower audit quality.

The purpose of this study is to examine the mediating role of audit quality on the influencing of auditor professional knowledge, auditor ethics, and client pressure toward auditor litigation by exploring Resource Based View (RBV) and Cognitive Dissonance Theory.

The data of this study are obtained by sending the questioners to auditors who work in Indonesian audit firms (KAP). However, only 170 auditors (respondents) have return the questioners with valid answers and could be analized using structure equestion model (SEM) through AMOS IBM version 22.

This study found that auditor professional knowledge and ethics positively influence audit quality. It indicates that the higher auditor profesional knowledge and ethics lead to higher audit quality. This study also found that client pressure negatively influence audit quality. In contrast, the client pressure positively influence auditor litigation. It means since auditor work in lower pressure environment, the audit quality will be higher and the auditor litigation can be reduced. This study could not provide an emprical evidence on the relationship between auditor professional knowledge, ethics, audit quality and auditor litigation. Based on those results, this study conclude that audit quality can not play as a mediating role on the influence auditor professional knowledge, ethics, and client pressure toward auditor litigation.

Keywords: Resource Based View Theory, Theory of Cognitive Dissonance, Professional Knowledge, Auditor Ethics, Client Pressure, Audit Quality and Auditor Litigation.