

CHAPTER I

INTRODUCTION

A. Background Research

Stress is a common thing every day. Most of the people in this world have experienced stress, be it heavy stress or light stress. Stress itself is pressure in terminology. Many reasons can make people stressed, such as simple health problems, financial problems, personal problems both within the family and the school and work environment. Most of these problems come from the environment, but most of the stress comes from anxiety, fear, regret, discouragement, and lack of confidence. According to Kassymova (2018), over the past 50 years, the word "stress" has increased dramatically in behavioral and health sciences. Many individuals who seek help or try to control conditions, situations in their life to minimize the possibility of experiencing stress. Things that cause a person to experience stress referred to as stressors.

Kassymova (2018) said stress itself is generally known to have a harmful impact and disrupt a person's life. However, stress does not always have a harmful impact on several occasions; it has a good impact on the person experiencing stress. Stress is known as eustress, which is caused by a positive stressor. Eustress itself is a type of stress that benefits health by giving motivation, performance, and well-being. (Kassymova, 2018)

Eustress is usually often overlooked. It is influenced by several things, namely because it is a short-term event, motivates someone, feels excited about it, and several other things. Some examples are when a husband is waiting for his wife

give birth; usually, the husband will experience anxiety, depression, and various other feelings because he is waiting for his child to be born; another example is an employee who gets a promotion in the office where he will get greater responsibility, manage more many people and also benefits and salaries that have increased from before. In campus life, there are also positive stressors experienced by new graduates who got a new job (Kassymova, 2018)

On the other hand, distress is negative stress due to negative stressors. Distress causes a person to find it challenging to do something, which ultimately affects their mental health. Usually, distress itself is easy to pay attention to, for example, the death of a loved one, divorce, illness, and being fired from the workplace. The things that cause this distress are easily seen because these stressors make a person anxious and annoyed, or for example, even though the event is short but has a long-term effect (Kassymova, 2018)

According to Kassymova (2018) This distress is often found in social life every day, from the upper, middle, to lower classes, experiencing the same thing. If we look at a simple example in the world of work, it is an accumulated task. Many offices employees experience stress due to too much work pressure, so that some feel uncomfortable. This incident certainly affected their performance in the office. Another example is when employees face a very strict and disciplined boss so that even a tiny mistake can be bad for these employees. Meanwhile, from the supervisor's side, they often experience negative stressors. Like clients that are difficult to deal with, investor demands are challenging to achieve, and internal conflicts exist among employees.

According to Kassymova (2018) The last type of stress is neustress. Neustress is stress that is between eustress and distress. Neustress itself is not good or bad and does not affect the person experiencing it. Neustress may be described as a reaction when someone learns of an event that has no direct impact on him, where given the impact is very small or nonexistent. Even that person does not respond positively or negatively. An example is when a typhoon hits an uninhabited island, the Storm and the island have nothing to do with that person so that the person does not feel anxious after hearing the news.

﴿۱۵۵﴾ وَلَنَبْلُوَنَّكُمْ بِشَيْءٍ مِّنَ الْخَوْفِ وَالْجُوعِ وَنَقْصٍ مِّنَ الْأَمْوَالِ وَالْأَنْفُسِ وَالثَّمَرَاتِ وَبَشِيرِ الصَّابِرِينَ

"And We will most certainly try (test) you with fear and hunger and loss of property and lives and fruits. And give glad tidings to the patient." (Al-Baqarah:155)

The arrival of trials in humans is what will be felt or considered as a pressure that is on humans. Allah will give trials to humans in the form of fear, hunger, and loss of goods and food. One of these trials is given in the form of stress, including auditors. This stress can also be found in the public accounting profession, where auditors are more detailed. A good auditor is an auditor who can maintain his independence in carrying out his duties. So, it takes several factors that can affect the quality of the audit. One of these factors is client pressure.

According to Matteson and Ivancevich (1987), despite many definitions of stress found in the literature, "almost all fall into two categories: stress can be defined as a stimulus or response" (pp. 9-10). Stress a stimulus that has a negative effect, and these stimuli are called stressors. A contradiction of role (acceptance of

conflicting instructions or roles), the ambiguity of role (acceptance of unclear direction), roles overwhelmed (too many tasks requested, or insufficient resources provided) tasks) Moreover, hazards (feeling dangerous at work) are examples of stressors the experience of repair personnel (Griffin, 1999; Lambert, Hogan, Paoline, & Clarke, 2005).

Workplace stress is also described as an individual response to such stressors. In Corrective literature, workplace stress is usually an employee's feelings at work tension, anxiety, frustration, anxiety, mental exhaustion, and anxiety (Cullen et al., 1985; Grossi, Keil and Vito, 1996; Van Voorhis, Cullen, Link, and Wolfe, 1991). It is this conceptualization of stress - as a stress response - that was used in this analysis.

Client pressure is one of the challenges for auditors because clients' pressure will weaken the independence and quality of the resulting audit. The influence of superior pressure and the influence of client pressure can lead to deviations and not meeting professional standards so that the performance given is also not optimal. It can result in a decrease in the quality and resulting audit opinion. The responsibility as an auditor is tremendous to withstand the pressure of clients because this has become a professional risk.

The public accountant profession has become the trust of the public and is responsible for auditing financial statements. Public accounting is a profession that provides accurate and reliable information services. The auditors' information statement proves the reliability of the financial statements, and the auditors are

required to be independent. The information used in decision-making is complete, accurate, and unbiased, and it requires a high level of competence for an auditor in conducting an audit. Financial reports that a public accountant has audited are more reliable and trustworthy by the public than financial reports that are not or have not been audited by an auditor.

Financial reports provide various information needed to make decision-making by both internal and external parties of the government. According to the FASB (Financial Accounting Standards Board), the two most essential characteristics present in financial reports are relevant and reliable. These two characteristics are complicated to measure. Users of information need a third party's services, namely an Independent Auditor, to assure that the financial statements are relevant and reliable.

The client entrusts an auditor who has expertise as a public accountant in examining to prove a financial report that has been presented. Each client has different interests that can conflict with the party who has the financial statements. The financial reports users include shareholders, creditors, management, government, and someone who has an obligation to the audited financial report.

The audited financial statements are the result of the negotiation process between the auditor and the client. It is where the auditor is in a dilemma situation. On the one hand, an auditor must be independent in provide an opinion for the fairness of financial statements relating to many parties' interests. On the other hand, he must also meet the demands desired by clients who pay fees for their

services to satisfy their clients. With his job and continue to use his services in the future. Such a unique position places the auditor in a dilemma that can affect the audit quality.

An audit is not only determined by one's ability or competence owned. Auditors are also required to manage emotions, spirituality, and the implementation of professional ethics. Spiritual intelligence is intelligence where a person feels that he is close to oneself, others, and nature's universe. In general, the profession as auditor demands to have high intellectual. An auditor can carry out his duties with maximum if the auditor can interpret the potential in him.

Auditor performance is critical in a KAP (Kantor Akuntan Publik/Public Accounting Firm) organization because of its high performance; it will produce the desired objectives. High performance is not a reflection of the auditor's ability but the interaction between the auditors' abilities and commitments. Performance can be improved by increasing the ability, competence, audit quality, and auditor commitment. It can also mean that performance can be low even though employees have the ability due to organizational commitment and low auditor competence.

In general, the auditor's performance is helped by audit quality, organizational commitment, and the competence of the auditors themselves so that in the end, these factors have a positive impact on organizational performance. Commitment to the organization is a condition for improving auditor performance. It means that there is no direct relationship with the achievement of an organization. It happens because the auditor's organization has a high commitment to the

organization, so what comes later is loyalty to the organization and giving birth to a functional relationship that supports each other within the organization and supports the relevant organizational management (Robbins, 2001).

A form of dysfunctional audit behavior conducted by auditors can be in the form of Reduced audit quality practices (RAQP). The act of reduced audit quality practices (RAQP) became deviant the most serious because it can reduce the quality of the audit directly and mostly done by an auditor (Kelley and Margheim, 1990) in (Silaban, 2009); (Otley and Pierce, 1995). The existence of reduced audit quality practices (RAQP) has become a thing important in the auditing literature, where it becomes evident that implementation. Audit procedures that comply with audit standards are not always carried out by an auditor.

The auditor's commitment to the organization will improve auditor performance. One of the things that can provide quality audit auditors to commit to the organization is meeting the organization's needs; if these needs are met, the auditors will keep working well. Audit quality should explain the attributes that determine client satisfaction. Nevertheless, all opinions are taken that audit service quality and client satisfaction stands alone, started by Tailor and Baker (1994). Job satisfaction is a critical factor in being able to maintain well-qualified individuals.

Some specific aspects of job satisfaction are salary, benefits, promotion, working conditions, supervision, organization, and relationships. Robins (2008: 40) defines job satisfaction (job satisfaction) as "A positive feeling about someone's job, which results from the evaluation of the evaluation". Apart from job

satisfaction, another thing that is the goal of the organization is job performance. According to Porter and Lawler, cited by Schermerhorn (Agustia, 2005: 4), work performance is defined as a person's success in carrying out a job and the result that someone wants to achieve which works for the right job. Work performance on the line is based on two things, namely individual factors and situations. Job performance evaluation of work carried out through direct superiors, coworkers, or direct subordinates.

In fulfilling the necessities of life, humans must work to reach the life stage. If the work he is engaged in gives satisfaction both in material and non-material terms, it can be said that someone has a level of job satisfaction. Job satisfaction is essential for improving the performance of auditors in the framework of company goals. The success and performance are determined by the level of competence, professionalism, and commitment to the field they are engaged in (Sri Trisnaningsih, 2001). An organizational commitment describes a person's attachment to an organization, giving rise to a sense of belonging (sense of belonging) to the organization where he works, besides organizational commitment. This professional orientation underlies the emergence of professional commitment, which also affects job satisfaction.

In conducting audits, auditors will often get time pressures, which can lead to deviant behavior, which will affect the quality of the audit (Liyanarachchi and McNamara, 2007). Every public accounting firm needs to prepare a budget for the time in auditing activities. This time budget is used to determine or become a benchmark for audit costs and the auditor's performance effectiveness. The

allocation of a long time often tends to be detrimental because it will only cause an increase in audit costs (Prasita and Adi, 2007). Azad (1994) states that an auditor who is depressed (over time) causes dysfunctional behavior to emerge, which can reduce audit quality.

There have been many cases regarding auditors who are stressed. One of the most recent cases is Mike Evans, the Chairman of the Audit Committee of M&G. Taken from financial news London, M&G itself is a Prudential subsidiary, which provides storage and investment services. Mike Evans has taken a temporary leave of absence due to a stress-related illness. Mike himself has been appointed as the Chairman of the Audit Committee since October 2018.

Deloitte, PwC, Ernst & Young and KPMG are the 'big four' auditing firms in the globe. The 'big five' used to have Arthur Andersen. In 2002, after being found guilty of fraud in the Enron audit, this company had to forfeit its license. Enron's financial accounts were famously announced by accounting fraud for \$100 billion and forced Arthur Andersen to do so.

Though in the US Supreme Court in 2005 Arthur Andersen was able to reverse her conviction for financial fraud, the reputational harm was already caused. It is a lesson that, there is no limit to the responsibility for the auditing (as opposed, say, to the report on its feasibility), that if an audit is false and a corporation is targeted by fraud, then the anti-fraud rule does not appeal to accounting firms.

Moreover, when the author conducted this research, there was an epidemic spreading throughout the world. The pandemic was known as Covid-19. The recent

novel coronavirus disease (COVID-19) outbreak, caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), is seeing a rapid increase in infected patients worldwide. The host immune response to SARS-CoV-2 appears to play a critical role in disease pathogenesis and clinical manifestations. SARS-CoV-2 not only activates antiviral immune responses but can also cause uncontrolled inflammatory responses characterized by marked pro-inflammatory cytokine release in patients with severe COVID-19, leading to lymphopenia, lymphocyte dysfunction, and granulocyte and monocyte abnormalities (Yang et al. al., 2020). According to Pfefferbaum, B., & North, C. S. (2020), The Covid-19 pandemic has alarming implications for individual and collective health and emotional and social functioning.

Given that most Covid-19 cases will be identified and treated in health care settings by workers with little to no mental health training, assessment and intervention for psychosocial concerns must be administered in those settings. Ideally, the integration of mental health considerations into Covid-19 care will be addressed at the organizational level through state and local planning; mechanisms for identifying, referring, and treating severe psychosocial consequences; and ensure the capacity for consulting with specialists. In addition to providing medical care, already stretched health care providers have an essential role in monitoring psychosocial needs and delivering psychosocial support to their patients, health care providers, and the public — activities that should be integrated into general pandemic health care.

The audit reports are a guide for investors in making decisions whether to invest in the business involved or not. The audit reports then become relevant because they affect the viability of the shareholders' money. Therefore, the accuracy of the audit itself must always be maintained by the auditor, who plays an essential part in a survey. Until now, a quality audit outcome has still not been described in specific terms. This may be because the term good has a relative significance that is distinct for all persons based on the individual's views. However, the IAI (Ikatan Akuntan Indonesia/Institute of Indonesia Chartered Accountants)says that audits performed by auditors are audit quality whether they comply with audit requirements or quality management criteria.

Reduced audit quality is one of the disruptive activities or deliberate behaviors of the audit without audit protocols, which can implicitly decrease the audit quality. Reduced audit quality is related to systematic reduction in audit procedures by the auditor. This could result in an inept audit proof that cannot be relied upon to discover substantive mistakes in the financial statement and cannot actually be relied upon in order to issue opinions/audit accuracy findings, and these could raise the likelihood of incorrect judgments and harmful consumers of the financial report (Coram et al., 2008).

This research replications research by Masihabadi et al. (2015). The dependent variables Organizational Commitment, Job Satisfaction, and Job Performance are taken from Masihabadi et al. (2015).

Previous research showed that job stress had a negative impact on organizational commitment and job satisfaction; however, it was not confirmed that job stress had a negative impact on job performance; however, it was confirmed that job stress had a negative impact on job performance via organizational commitment and job satisfaction.

The author has done research on auditors in the private sector and the public sector for auditors from the private sector. The author chooses the Khairunnas Public Accounting Firm as the object of his research. The author decides The Audit Board of the Republic of Indonesia (BPKRI) representatives of South Sulawesi, Inspectorate NTB and Development Finance Comptroller (BPKP) Ternate from the public sector or the government. The authors choose these parties to research due to the lack of auditors in Eastern Indonesia. The authors hope that choosing these parties can help fulfill and facilitate the authors in processing the data to be studied.

Meanwhile, previous researchers mentioned that stress could also affect other aspects of the organization. Based on the background above, the author is interested in research with a study entitled "**Effects of Stress on Auditors' Organizational Commitment, Job Satisfaction, and Audit Quality**" the previous research does not have Reduced Audit Quality as the independent variable and changes the research location to Indonesia as a research scope.

B. Problem Formulation

Based on the various things that have been described in the background to the problem, then in brief the problems in this study can be formulated as follows:

1. Job stress has a negative effect on organizational commitment.
2. Stress has a negative effect on job satisfaction
3. Stress has a positive effect on reduced audit quality
4. Job stress has an effect on reduced audit quality via organizational commitment and job satisfaction.
5. Job stress has negative effect on organizational commitment via job satisfaction.
6. Job stress has a negative effect on reduced audit quality via job satisfaction.

C. Research Objectives

In connection with the background and problem formulations described above, the following are the objectives of this study:

1. To test and find empirical evidence of the effect of job stress on organizational commitment
2. To test and find empirical evidence of stress effect on job satisfaction
3. To test and find empirical evidence of the effect of stress on reduced audit quality
4. To test and find empirical evidence of the influence of job stress via organizational commitment and job satisfaction has an impact on reduced audit quality
5. To test and find empirical evidence of the effect of Job stress via job satisfaction has an impact on organizational commitment

6. To test and find empirical evidence of the effect of Job stress via job satisfaction has an impact on reduced audit quality

D. Benefits of research

The results of this study are expected to contribute, namely:

1. Theoretical Field

- a) Accounting Students, as reference material in conducting further research related to the factors affecting organizational commitment, job performance, job satisfaction and reduced audit quality.
- b) accounting literature, this research is expected to develop the scope of accounting science, especially in the fields of auditing and can be used as a reference as useful reading material.

2. Practical Field

- a) Auditor in General both in Public Accounting Firm and government institute such as BPK (Audit Board of the Republic of Indonesia), Inspectorate NTB and BPKP (Financial and Development Supervisory Agency) this research is expected to be used as reference material by them in the institution to reduce the amount of stress caused by work.
- b) KAP Khairunnas, this research is expected to make accounting public firm pay more attention to what are the effects of stress toward their employees are.

- c) Community, this research is expected to provide information to the public on the effect of stress and provide education about what impact does it has on the society. This can also provide awareness to the public that people can get stressed.
- d) Government, this research is expected to provide a reference for the government to make significant, specific regulations in work environment.