

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Public Accountants are auditors who have an important role to provide services in the field of auditing financial reports that have been prepared by their clients. Financial reports provide a variety of quantitative financial information and are required as a means of the decision - making by both internal and external parties within the company. Therefore, financial reports must be of high quality, because these financial reports are the responsibility of the manager stakeholders.

The characteristics of quality financial reports are financial statements that are understandable, relevant, realistic, and comparable. Financial statements that are said to be relevant are financial statements that can influence the decisions of users of financial statements, by evaluating events in the past and being able to predict future performance. Financial reports must be easily understood by users, financial reports must be presented by following generally accepted accounting standards. Reliability financial statements if the financial statements are not misstated and there is no understanding that is not understood by the user. The financial statements must be presented with honesty, neutrality, and not influenced by any party.

However, these characteristics are difficult to measure, so that users of information need the services of third parties, namely independent auditors to provide financial guarantees with relevant and reliable statements, to

increase the confidence of all parties related to the company. In carrying out their profession, public accountants are required to produce good quality audits. Audit quality can be defined as the probability that the auditor uses during the audit of the client's financial statements to be able to find possible violations of the client's accounting system and to report the audited financial statements.

Audit quality can show that competence and independence affect audit quality. Auditors must have competence in conducting audits to produce quality audits. Apart from being competent in carrying out their duties, an auditor must also be independent in conducting audits, because without the user can not trust the independence of the audit results. Auditors must also have sufficient experience in the work environment they are auditing. Experience affects every decision made in an audit, so it is hoped that every decision made is the right one. Evidently, the longer the auditor's tenure, the better the resulting audit quality. In addition to independence and experience in carrying out their work, an auditor is also must cling firmly to auditor ethics.

Rr putri and Nur's research ( 2013 ) states that the important factors in auditors that affect audit quality are independence and ethics. An independent auditor is not easily influenced, does not take sides with anyone, and is obliged to be honest not only with the management and owners of the company. But also to other parties who use financial statements who trust the results of their work.

Research conducted by Rahman ( 2009 ) states that the experience factor of an auditor is very influential on audit quality. Then research by Badjuri ( 2011 ) states that careful and thorough professional skills are important self - requirements to be implemented in audit work.

According to Lilis Ardini ( 2010 ) accountability can also affect audit quality. Accountability is social psychology boost by someone to complete their obligations which will be accountable to the work environment. In carrying out their responsibilities, as a professional, every auditor must always use moral and professional considerations in all his activities.

But in carrying out their functions, auditors often experience conflicts of interest with company management. Management wants the company's operations or performance to appear successful, one of which is reflected in higher profits to create quality in the company. Which ultimately led to the emergence of cases of companies that crashed and failed business which was often associated with auditor failure. And this threatens the credibility of the auditor as the party assigned to increase the credibility of the financial statements. And this threat can affect public perceptions about the audit quality of an auditor.

The company owner must truly trust his manager, knowing the company's activities through financial reports. If the financial statements are presented fairly, it can give the company owner confidence in the manager and the future will be good. If the results of the audit provided are fraudulent acts between auditors and managers, it could lead to an unfavorable future for the company.

In this study, the reason the researcher chose the title was that an auditor has an important role to provide services in the audit field of financial reports that have been prepared by clients with good audit quality. Several things affect the quality of the audit and are interested in assessing any influence of Independence, Experience, Ethics, and Accountability on Audit Quality at the Public Accounting Firm in Padang City. Public accounting is a profession in the accounting field. Based on the stated background, the researchers are interested in researching with the title : **The Effect of Independence, Experience, Ethics, and Accountability on Audits at Public Accounting Firms in Padang City.** The difference between the study and the previous study was that the previous study only discussed one of the variables above. Whereas in this study, researchers combined different variables into one variable in the research environment in different places, namely the Public Accounting Firm in Padang City.

## **1.2 Problem Formulation**

Based on the research background above, the problem formulation of this research is as follows :

1. How does independence affect on audit quality at the Public Accounting Firms in Padang City?
2. How does experience affect on audit quality at the Public Accounting Firms in Padang City?
3. How does ethics affect on audit quality at the Public Accounting Firms in Padang City?

4. How does accountability affect on audit quality at the Public Accounting Firms in Padang City?
5. How does independence, experience, ethics, and accountability affect on audit quality at the Public Accounting Firms in Padang City?

### **1.3 Research Objectives**

Based on the formulation of the problem above, the objectives of this research are :

1. To determine the effect of independence on audit quality at the Public Accounting Firms in Padang City.
2. To determine the effect of experience on audit quality at the Public Accounting Firms in Padang City.
3. To determine the effect of ethics on audit quality at the Public Accounting Firms in Padang City.
4. To determine the effect of accountability on audit quality at the Public Accounting Firms in Padang City.
5. To determine the effect of independence, experience, ethics, and accountability on audit quality at the Public Accounting Firms in Padang City.

### **1.4 Research Benefits**

The purpose of this study is to broaden the researcher's insights, this research is expected to be used as a knowledge contribution to support

accounting knowledge, especially the influence of independence, experience, ethics, and accountability on audit quality.

### **1. For the Auditors**

As input that is expected to be taken into consideration, especially related to the factors that affect the quality of the audit so that it will further improve its performance in the future.

### **2. For the Author**

For the author, the results of this study are expected to provide knowledge about the effect of independence, experience, ethics, and accountability on audit quality. Besides, the author can also find out the truth of the application of theory that can be lectured with existing practice in the field and can complement the thesis preparation material to meet the requirements for taking the undergraduate exam in the International Accounting Study Program at the Faculty of Economics, Andalas University.

### **3. For Academics**

For academics related to this research, it is hoped that this research will become a source of additional information or references related to the influence of independence, experience, ethics, and accountability on audit quality at the Padang City Public Accountant Office.

## **1.5 Writing Systematic**

This research is arranged systematically and consists of five parts, namely as follows :

## **CHAPTER I : INTRODUCTION**

Introduction is the part there is explanation of the problem background, problem formulation, research objectives, research benefits, and writing systematics.

## **CHAPTER II : LITERATURE REVIEW**

Literature review is a section there is explanation of the theoretical basis, a review of previous research, a theoretical framework, and the development of hypotheses.

## **CHAPTER III : RESEARCH METHODOLOGY**

The research methodology there is explanation about the variables used. There are research designs, populations and samples, data and data sources, operational definitions and variable measurements, and data analysis methods.

## **CHAPTER IV : RESULT AND DISCUSSION**

Result and discussion is the main content of the research, there is a explanation about the results of the research. There are description of the object of research used in the research, the results of data analysis, and discussion.

## **CHAPTER V : CONCLUSION AND RECOMMENDATION**

Conclusion and recommendation is the last chapter of the research. This chapter contains conclusions from the discussion that has been described, research limitations, and suggestions based on the findings in the study, and the reasearch implication.