

The Effect of Audit Tenure, Audit Rotation and Head Reputation on Audit Quality

Fitri Fajar Riyani, Maidani*, Novita Wahyu Setyawati, Cahyadi Husadha

*Faculty of Economic and Business, Bhayangkara University, Bekasi, Jawa Barat, Indonesia
e-mail: maidani@dsn.ubharajaya.ac.id*

Abstract

This study aims to examine the effect of audit tenure, audit rotation and KAP's reputation on audit quality. The type of data used in this study is secondary data, namely the data of financial statements of manufacturing companies listed on the Indonesia Stock Exchange in the period 2015 - 2018. The research method used is multiple linear regression analysis to test the effect of audit tenure, audit rotation and reputation of the public accountant firm. partial and simultaneous audit quality. Discretionary accruals are used as a proxy for audit quality. The results showed that simultaneous variables of audit tenure, audit rotation and KAP reputation did not significantly influence audit quality. While partially audit tenure and audit rotation have no effect on audit quality, and KAP reputation has a significant effect on audit quality.

Keywords: Tenure Audit, Audit Rotation, KAP Reputation and Audit Quality.

1. Introduction

The auditor is assigned as an examiner of the company's financial statements, is expected to achieve a work result that provides an opinion in accordance with the actual state of the company. Audit quality is defined as a systematic inspection process, with integrity and has its own value based on the competent expertise of an independent auditor, thus establishing objectivity in determining the objectives and strategies planned to be able to carry out auditing practices based on government regulations. Audit quality is also defined as the characteristics of the audit implementation and results based on the Public Accountant Examination Standards (SPAP), Minister of Finance Regulations (PMK) and Quality Control Standards (SPM) which are the measurement of the implementation of audit practice duties and professional responsibilities of an auditor. There is a direct relationship between audit quality and how well a job is done against the criteria set out in auditing standards.

Audit quality criteria are basic concepts that must be possessed by auditors in carrying out their audit duties. For example, in terms of competence, ethics, auditor experience, independence and objectivity. In carrying out the audit process, the company's financial statements that are examined by the auditors often occur in recording, compiling and discrepancies in the calculation of the company's balances, either intentionally or unintentionally, for that the auditor is required to examine and report them in the audited financial statements based on applicable auditing standards and codes of ethics. public Accountant.

Efforts to carry out an audit in a company are first made by planning and management agreement and related parties are willing to provide verifiable information and several standards that can be used by the auditor to evaluate the information and through several audit techniques to check its correctness. The auditor collects sufficient, relevant and competent evidence to prove how fair the information in the financial statements is with respect to these criteria.

Auditors as one of the public accounting professions are listed in the Regulation of the Minister of Finance of the Republic of Indonesia Number 154/PMK.01/2017 concerning the Guidance and Supervision of Public Accountant as regulated in Law Number 5 of 2011 concerning Public Accountant. Public Accountant are required to comply with the principles regulated by the BPK RI, 2017 in the State Financial Audit Standards (SPKN), one of which is the code of ethics, the code of ethics is the values that must be applied by each member of the BPK and the State Audit Board while carrying out their duties. to maintain the dignity, honor, image, and credibility of the BPK that has a code of ethics Integrity and professionalism are values that must be upheld by members of the BPK and the State Audit.

Public Accountant Professional Standards (SPAP) is one of the auditing standards applied in Indonesia, which requires auditors to maintain their independence. The following aspects underlie an auditor, namely Independence in mind reflects the auditor's mind which allows the audit to be carried out with an unbiased attitude. In this case, the auditor has high honesty and responsibility, has a close relationship with objectivity, secondly there is independence in appearance which is the result of other interpretations of this independence, regarding the views of others on the auditor in connection with the implementation the audit, and finally independence from the point of view of expertise (independence in competence) can also be seen from his experience as an auditor, in his competence during audit duties, and from the point of view of expertise that is closely related to audit professionalism.

Financial statements are the final result of the accounting process for one period that can be used as decision making from various parties, both internal and external parties. Accountant as one of the business and economic professions are often faced with indecision because of the many interests that are often different and require Accountant, as the party responsible for the preparation of financial statements, to be part of the company's obligation to publicly publish its financial statements without manipulation to related parties. and interested.

Basically, the principal wants to know thoroughly the information including management activities related to investments or funds in the company whether the principal's assets are still safe and corporate governance is running well in accordance with the applicable Company Operating Standards (SOP), deviations may occur due to own interests for the management, for that the principal makes the auditor a third party to be able to harmonize problems that may arise between the principal and the agency.

The audit of financial statements aims to emphasize the issuance of an opinion on the audited financial statements. The audit process is structured in detail to be able to process the numbers reported in relatively reasonable financial terms, so that audit quality becomes very important and main to be able to strengthen the financial statements to be published. Audit quality is very important to be applied by all auditors in financial reporting. The higher the quality of the audit, it can increase the confidence of users of the audited financial statements.

However, in reality, it is difficult to realize a quality audit process. In terms of independence, auditors often find it difficult to maintain their attitude, due to the opportunities and opportunities to commit fraud which makes auditor independence weaker. Seen by the existence of several cases of manipulation involving public Accountant both domestically and abroad, for example the case that recently occurred in Indonesia regarding PT. Garuda Indonesia (2019), which is subject to sanctions by government and non-government financial institutions for violations of annual reports that do not comply with accounting standards. And also about a global problem in the United States that

surprised many parties, because it involved one of the international acstatisicsing firms, Arthur Andersen (2001). This case involves the Chief Executive Officer (CEO), commissioners, audit committee, internal auditors to external auditors.

Audit quality is also influenced by the length of audit tenure between the auditor and the company as users of audited financial services. The fraud committed by the client or manager is caused by a special relationship or cooperation with the auditor who does not apply the ethics and standards that have been regulated as a limit to the attitude of an auditor. Here, the auditor does not report based on actual reality, on the orders of the client by promising individual extra payments or bribes for their work. Thus, the existence of a long cooperative relationship between the auditor and his client can lead to closeness between them and create many opportunities to commit fraud and can hinder auditor independence and reduce audit quality.

2. Literature Review

According to Abdul Halim (2015: 2) said that to study auditing, and the public acstatisicsing profession in depth, it is necessary to know the definition of audit. ASOBAC (A Statement of Basic Auditing Concepts) defines auditing as “a systematic process for objectively gathering and evaluating evidence about assertions about various economic actions and events to determine the degree of correspondence between assertions with predetermined criteria and communicate the results to interested users.

Audit tenure is the engagement period (term) between the auditor and the client regarding the agreed audit services. Tenure is also defined in the form of the auditor's relationship with the client as measured by the number of years, tenure becomes a debate when the audit tenure is too short; the audit tenure is carried out for a long period of time (Fierdha et al 2014).

Audit tenure is often associated with auditor independence, the existence of a long kinship between the auditor and the client is feared to weaken the attitude of independence. So that it can create opportunities for the fulfillment of personal interests in order to gain profits and will have an impact on the performance of the auditor at the client company such as the auditor's emotional relationship with the client, audit fees, work professionalism, competence, violating audit standards, etc.

Audit rotation is the change of auditors and Public Acstatisicsing Firms after engaging with the same client in carrying out their duties for a certain period of time. Audit rotation was first introduced in 1976 (Sabilly, 2019). According to Fierda et al (2014) audit quality is a change in public Accountant where public Accountant in Indonesia can only audit the company's financial statements for a maximum of 3 consecutive years, the provision of mandatory rotation is based on a theoretical reason that the application of mandatory rotation for auditors and public acstatisicsing firms is expected to increase independence. auditors both in appearance and in fact.

Effect of Audit Tenure on Audit Quality

Audit tenure can be measured in units of the number of years, how long the auditor takes to examine the client's financial statements in successive years and can be seen from the fairness report based on the auditor's opinion. According to (Margi and Abdul Rohman, 2014), the relationship between the auditor and the client should be able to accommodate optimal audit quality. An engagement period that is too short can lead to a lack of specific knowledge about the client, resulting in low audit quality. In line with research conducted by (Irsyad and Rosmita, 2016) which shows that auditor tenure has a negative effect on audit quality, this means that the increasing number of auditor tenures carrying out audits of their clients will reduce audit quality.

The existence of a long relationship between the auditor and the client is feared to weaken the auditor's independence, the audit tenure entrusted by the client as the principal can be misused by management or the auditor himself. According to Ade Nahdiatul and Maya Sari (2018), the findings of their research state that audit tenure has a positive effect on audit quality, because an auditor's period with a company that is too long can reduce auditor independence which has a major impact on audit quality.

Based on the opinions that have been described previously, it can be concluded that by providing a time limit between the auditor and the client, it can maintain the auditor's independence in conducting audits of clients so that audit quality increases. So in this study the authors propose a hypothesis, namely:

H1: Audit Tenure Affects Audit Quality

Effect of Audit Rotation on Audit Quality

Auditor rotation can be divided into two, namely, auditor turnover that occurs due to increased government regulations and auditor turnover that occurs due to other reasons outside of regulation (Adib Azinudin Nizar, 2017). In Adib Azinudin Nizar's research (2017) audit rotation affects audit quality, as previously explained that audit quality is a change in public Accountant where public Accountant in Indonesia can only audit company financial statements for a maximum of 3 consecutive years, mandatory rotation provisions are based on reasons theoretically that the application of mandatory rotation for auditors and KAP is expected to increase auditor independence both in appearance and in fact.

Audit rotation can increase the independence of the auditor, to avoid the kinship that exists due to a comfortable relationship between the auditor and the client, here the auditor must be able to maintain ethics and boost the good name of the auditor himself so as to create audit quality. However, in contrast to the findings of research conducted (Ninik Andriani and Nursiam, 2017) it shows that audit rotation is not a guarantee to produce a quality audit. According to (Hartadi, 2012 in the Journal of Ninik Andriani and Nursiam, 2017) this is because the public actually does not really care whether the auditors who express opinions or opinions on the annual financial statements have been rotated or not.

According to research by Irsyad and Rosmita Dewi (2016), the higher the value of the company's audit rotation will result in a decrease in audit quality opportunities in the company. In other words, they believe that a long relationship between the auditor and his client can improve audit quality, and managers also tend to reject the obligation of audit rotation, because of the potential for disruptive threats.

Based on the opinions that have been described previously, it can be concluded that the auditor rotation applied by the company will reduce audit quality, because audit rotation is not a guarantee to produce quality audits, because the public does not put too much pressure on companies to rotate audits. So in this study the authors propose a hypothesis, namely:

H2: Audit rotation has no effect on audit quality

Relationship of KAP's Reputation on Audit Quality

The reputation of the Public Acstatisticsing Firm has an effect on audit quality, in this study the Public Acstatisticsing Firm studied is an International Public Acstatisticsing Firm, for example in Indonesia there are big four KAPs which are well known as the best KAPs among other local KAPs. KAP big four conducts a very selective selection of auditors to be able to join as KAP big four auditors, and the capabilities of an auditor have been proven from the competency test and receipt of a certificate of public Accountant (Certified Public Accountant) with complete requirements and

passing the exam. In research conducted by Irsyad and Rosmita (2016), it is stated that KAP reputation has a positive effect on audit quality, because large auditors such as KAP Big 4 have the responsibility to provide audit services of the same quality among local offices (affiliates) with different sizes. and located in various regions and statisticsries.

In contrast to the results of research conducted by Adib Azinudin Nizar (2017), the conclusion is that audit reputation has no effect on audit quality. This means that auditors who are affiliated with the big four KAPs or not, have the same quality in maintaining public trust. So with the discussion above, auditors who work in larger companies have more experience meeting with different clients, and make them have a collective experience so that they are able to provide a higher quality audit. Second, economic dependence can threaten the objectivity and independence of auditors.

Based on the opinions that have been described previously, it can be concluded that auditors with a good KAP reputation have an independent sense of responsibility and knowledge from their experiences. KAP reputation affects audit quality, because Public Acstatisticsing Firms in Indonesia, known as the Big Four, can maximize their performance in the audit reports they complete, and are more trusted by related parties. So in this study the authors propose a hypothesis, namely:

H3 : KAP reputation affects audit quality

Audit Tenure Relationship, Audit Rotation, KAP Reputation on Audit Quality

Audit tenure is the period of time between the auditor and the client, which is measured by the number of years. Audit tenure is associated with two constructs, namely auditor expertise and economic incentives. According to (Margi and Abdul Rohman, 2014), the relationship between the auditor and the client should be able to accommodate optimal audit quality. An engagement period that is too short can lead to a lack of specific knowledge about the client, resulting in low audit quality.

Audit rotation is the change of auditors and Public Acstatisticsing Firms after engaging with the same client in carrying out their duties for a certain period of time. audit rotation affects audit quality, as previously explained that audit quality is a change in public Accountant where public Accountant in Indonesia can only audit company financial statements for a maximum of 3 consecutive years, the mandatory rotation provisions are based on theoretical reasons that the application of mandatory rotation for auditors and KAP is expected to increase auditor independence both in appearance and in fact. Large KAPs are more likely to have better abilities in conducting audits because large KAPs have more knowledge from their experiences. The reputation of the KAP greatly affects the quality of the audit because if the public gets fraud committed by the auditor to cover up the financial statements of the client company, the reputation of the auditor can be threatened.

Based on the opinions that have been described previously, it can be concluded that when the auditor performs audit tenure and rotation, it can avoid the kinship between the client and the auditor and KAPs which are included in the big four KAPs can limit and implement the audit process in accordance with audit standards, so the authors propose the hypothesis:

H4 : Audit tenure, audit rotation and KAP reputation simultaneously affect audit quality

3. Methods

The population used in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2015 – 2018. The reason for choosing a manufacturing company is because manufacturing companies have more complex financial statement information and have characteristics of each other, besides that, the reason for using the data is due to the availability of complete data, has been audited and supervised by the authorized body and the Financial Services Authority. Determination of the sample using non-probability sampling with a purposive sampling

approach, namely the determination of samples from the existing population based on criteria. The hypothesis test used is multiple regression analysis, because the independent variable is more than one and the research method uses quantitative data obtained from the Indonesia Stock Exchange in the form of numeric.

Audit tenure is defined as the length of the auditor's engagement with the client in carrying out the examination of financial statements and providing audit services as agreed in the employment contract. In this study, audit tenure is calculated based on the time of year in which the same auditor has performed audit engagements within the regulatory limits set by the government. Audit rotation is the change of auditors in one KAP that is bound to the client in carrying out the task of examining the client's financial statements. This study uses a dummy variable which is measured where audit rotation occurs (1) and (0) otherwise. The KAP reputation variable in the study shows the size of the big or small KAP. Included in a large KAP If the KAP is included in The Big Four Firm. The KAP reputation variable is a dummy variable which is measured by giving a value of 1 if the company is audited by a KAP which is included in The Big Four Firm and vice versa.

Discretionary accruals are used as a proxy for audit quality because high audit quality must be able to limit the company's management opportunities to present financial information to the extreme. In this study, the measurement of discretionary accruals or current accruals as a proxy for earnings quality is calculated using the Jones model (1991). Calculating the company's total current accruals (TACCit)

$$\mathbf{TACCit = NIit - CFOit}$$

Information :

TACCit = Total accruals of company i in period t

NIit = Net Profit after tax (net income of company i period t

CFOit = company operating cash flow period t

Calculate non-discretionary accruals (NDAit)

$$\mathbf{TACCit/TAit - 1 = \beta_1(1/TAit - 1 + \beta_2(\Delta REVit - \Delta RECit)/TAit - 1 + \beta_3 (PPEit/TAit - 1)}$$

Information :

TACit = Total accruals of company i in period t

TAit-1 = Total assets of company i in year t-1

REVit = Change in company i's revenue between years t and t-1

RECit = Change in Receivables of company i between years t and t-1

PPEit = Gross fixed assets of company i in year t

Total Accruals (TACC) are calculated using the cash flow approach, namely the difference between net income before extraordinary items and discontinued operations (EARN) and net cash flows from operating activities (CFO). Non-discretionary accruals are estimated based on the above model. Discretionary accruals are the difference between total accruals and non-discretionary accruals (ϵ_{it}). Can be calculated after obtaining TACC and NDAC.

$$\mathbf{DAC = TACit - NDA}$$

Simultaneous Testing (F Test)

Simultaneous F test is used to determine whether there is a joint effect of independent variables (audit tenure, audit rotation and KAP reputation) on the dependent variable, namely audit quality (Ghozali, 2018; 98). The steps for testing the hypothesis with the F test are as follows:

Determining the Hypothesis Simultaneously

- H0: 0 Audit tenure, audit rotation and KAP reputation simultaneously have no significant effect on Audit Quality.
- H1 : = 0 Audit tenure, audit rotation and KAP reputation simultaneously have a significant effect on Audit Quality.

Determine the Significant Level of = 5%

- A significant level of 0.05 or 5% means that the possibility of drawing conclusions has a 95% probability or an error tolerance of 5%.

Calculating F-Test (F-test)

$$F = 2/(1-RR2)/(nn-kk-1)$$

Information:

R2 = Coefficient of joint determination

k = Number of independent variables

n = Number of data

Decision Making

- If $F_{statistics} > F_{table}$ or $sig < 0.05$ then H0 is rejected or H1 is accepted (influential and significant).
- If $F_{statistics} < F_{table}$ or $sig \text{ value} > 0.05$ then H0 is accepted or H1 is rejected (no effect and not significant).

Test Coefficient of Determination

The coefficient of determination (R^2) test is used to predict how big the contribution of the influence of the independent variable to the dependent variable is. A value close to one means that the independent variables provide almost all the information needed to predict variation - the dependent variable. On the other hand, a small coefficient of determination indicates the ability of the independent variable to explain the variation of the dependent variable is very limited (Ghozali, 2018; 97).

Partial Test (t Test)

Partial t test is used to show how far the influence of one independent variable individually in explaining the dependent variable (Gozali, 2018;99). The steps for testing the hypothesis with the t-test are as follows:

Determining Statistical Hypotheses

1) Audit Period on Audit Quality

- Ho1: 1 0 Audit tenure has no significant effect on Audit Quality

- Ha1: 1 = 0 Audit tenure has a significant effect on Audit Quality
- Audit rotation on audit quality Ho2: 2 0 Audit rotation has no significant effect on audit quality.

- Ha2: 2 = 0 Audit rotation has a significant effect on Audit Quality

KAP's reputation on audit quality

- Ho3: 3 0 KAP reputation has no significant effect on Audit Quality.
- Ha3: 3 = 0 KAP reputation has a significant effect on Audit Quality

b. Determining the Significance Level

Determine the significant level of 0.05 or 5%. This means that the possibility of drawing conclusions has a probability of 95% or an error tolerance of 5% with degrees of freedom (db=n-k-1). Calculating the t-test with the formula:

$$t = \frac{\beta}{SE(\beta)}$$

Information:

- r = correlation coefficient
- n = number of data

Decision making

- Ho is rejected if probability <0.05 or t statistics> t table
- Ha is accepted if probability > 0.05 or t statistics < t table

4. Results and Discussion

Based on the criteria that have been determined using the purposive sampling method which is a non-random sample selection technique whose information is obtained using certain criteria, the sample selection process obtained 128 financial statements listed on the Indonesia Stock Exchange during 2015 to 2018 which were used as samples. Audit Tenure is the period of a public Accountant's work engagement with a client that has been agreed upon. The following is an explanation of the results of descriptive statistics through SPSS. The results for audit tenure, have a minimum value of 0 and a maximum of 3 and an average of 1.45, meaning that on average the research sample companies have cooperated with the same auditor for only 1-2 years.

From the results of the SPSS data processing, it can be seen that there are 57 samples of companies that do not rotate auditors by 44.5%. While the audit rotation is 55.5% totaling 71 samples or. It can be concluded that the majority of companies perform audit rotations every year. The data obtained from descriptive statistics show that the minimum value of 0 (zero) and maximum 1 (one) and the mean value of 0.55 means that the total frequency and descriptive statistics both conclude that the majority of companies perform audit rotations. From the results of the SPSS data processing, it is known that there are 68 samples of company financial statements (53.1%) audited by non-big four KAPs and 60 samples of corporate financial statements (46.9%) audited by big four KAPs. This indicates that some of the sample companies in this study were audited by the big four KAPs.

Table 1. Summary of Calculation Results

Variables	Coefficient	T statistics	t table	Sign	Standardized coefficients (Beta)
Konstanta	0,001	1,522	1,65723	0,13	
Audit Tenure	0	-1,228	1,65723	0,222	-0,152
Audit Rotation	0	-0,0418	1,65723	0,677	-0,052
KAP reputation	0,001	2,235	1,65723	0,027	0,195
Adjusted R Square	0,029				
F statistics	2,262				
F table	2,677106989				
Sig F	0,085				

Source: SPSS result data for windows version 25

The F significance test basically shows whether all the independent variables referred to in the model have a joint effect on the dependent variable. The F test is used to test whether the three independent variables simultaneously affect the dependent variable. In this study, the method used is to compare the values of Fstatistics and Ftable. If $F_{statistics} < F_{table}$, then the dependent variable (the hypothesis is rejected). If $F_{statistics} > F_{table}$, then the independent variable simultaneously affects the dependent variable (the hypothesis is accepted). The level of significance (α) used is 5% and the decision-making criteria are in accordance with the previous chapter.

It can be concluded from table 4.1, resulting in a calculated f of 2.262 with a probability value (sig) of 0.085. $F_{statistics} (2.262) < F_{table} (2.677)$, and sig is greater than the probability value of 0.05 or $0.085 > 0.05$. Then H_0 is accepted and H_1 is rejected, and it can be interpreted that in testing using the F statistical test simultaneously it is concluded that the independent variables, namely audit tenure, audit rotation and KAP reputation simultaneously have no significant effect on audit quality in manufacturing companies listed on the Indonesia Stock Exchange. , or in the sense that H_0 is accepted, H_1 is rejected.

The partial test between the independent variable of audit tenure and the dependent variable of audit quality shows a significance number of 22.2%. Because the significance value is greater than 5%, then H_{o2} is accepted, this means assuming that the increase in the number of years for each auditor to audit at the same company and in different years does not have an effect on high audit quality, so audit tenure has no significant effect on quality. audits. Partial testing between the independent variable audit rotation and the dependent variable audit quality shows a significance

number of 67.7%. Because the significance value is greater than 5%, Ho2 is accepted, using a dummy variable to help determine which companies perform audit rotations or auditor changes every year. So it can be concluded that audit rotation has no significant effect on audit quality. Partial testing between the independent variable audit rotation with the dependent variable audit quality shows a significance number of 2.7%. Because the significance value of KAP's reputation is less than 5%, Ho3 is rejected, and Ha is accepted. KAP reputation uses a dummy variable, that KAP reputation with a value of 0 is affiliated with a non-Big four KAP and a value of 1 (one) is affiliated with a big Four KAP. Thus, companies that cooperate in the examination of financial statements and are audited by the Big Four KAPs can improve audit quality. So that the reputation of KAP has a significant effect on audit quality. The results of hypothesis testing indicate that audit tenure has no effect on audit quality and there is a negative relationship on audit quality. This means that the increasing tenure of auditors carrying out audits of their clients will not affect the quality of their audits. The rejection of this hypothesis is because the audit engagement period is not a benchmark that the audit results will be of high quality. The change or turnover of Public Accountant is not something that is often done by companies, this is because related parties still have confidence in the Public Accountant as an examiner of the client's financial statements and also always monitors the movement of the client company.

The length of the audit engagement period, the Public Accountant should better understand the condition of the client's company so that he knows if the client wants to manipulate the financial statements, because the long engagement period also makes the Public Accountant feel confident with the client so that he does not develop a strategy for the audit procedures used and does not reduce his quality as an auditor, so he does not affect audit quality as well. In addition, the company can carry out its internal control properly supervised directly by the same Public Accountant so that the company can improve its performance.

5. Conclusion

Audit tenure is not significant and has a negative effect on audit quality in manufacturing companies listed on the Indonesia Stock Exchange in 2015 - 2018 with a negative coefficient value, meaning that it can be proven that the higher the audit tenure value in the company will not affect the decline in audit quality in the company. This can be caused because the auditor carrying out an engagement that has been mutually agreed upon between the auditor and the client should be able to accommodate optimal audit quality. With the argument that the engagement period is only one period each year, it will be difficult for the auditor to obtain detailed company information in a short time, and consideration in making decisions will take a lot of time because specific knowledge about the client is still low so audit quality is low.

Audit rotation is not significant and has a negative effect on audit quality in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2018 with a negative coefficient value, meaning that the higher the company's audit rotation value will not result in a decrease in audit quality opportunities for the company. This can be due to the frequent change of auditors in a company in the period before 5 (five) years which has been determined by government regulations, the auditor's understanding of the condition of his clients will also decrease. The results of this study succeeded in supporting the hypothesis. so that audit rotation is not a guarantee to produce quality audits, because the public does not put too much pressure on companies to do audit rotations.

KAP reputation has a positive and significant impact on audit quality in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2018 with the results of the coefficient value being positive, meaning that the higher the KAP reputation value, the higher the audit quality of the company. This is due to the high reputation of the KAP having a high level of independence and competence that is full of selection and is able to apply high quality standards and

audit standards, so as to produce higher audit quality. The results of this study succeeded in supporting the hypothesis. By using a dummy variable, it is proven by the number of companies that use the services of a big four Public Accounting Firm, because the results of the examination can be trusted, carried out clearly and thoroughly in detail and carefully. This is because the selection of auditors is very selective to be able to work in the big four KAPs, and the abilities of an auditor have been proven from the competency test and acceptance of a certificate of public accountant (Certified Public Accountant) with complete requirements and passing the exam.

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