



EFFECT OF AUDIT FEE, AUDIT TENURE AND AUDIT ROTATION ON AUDIT QUALITY AT PUBLIC ACCOUNTING FIRMS IN MEDAN CITY

Nurul Aprilyani Sagala¹, Maya Sari²
Universitas Muhammadiyah Sumatera Utara
mayasari@umsu.ac.id

Abstract

This research was conducted to achieve the following objectives: (1) Knowing and analyzing the effect of Audit Fee on Audit Quality; (2) Knowing and analyzing the effect of Tenure Audit on Audit Quality; (3) Knowing and analyzing Audit Rotation on Audit Quality; (4) Knowing and analyzing the effect of Audit Fee, Audit Tenure and Audit Rotation on Audit Quality.

In this study, the authors take an associative approach, the primary data source. Data was collected using a survey method by distributing questionnaires to auditors working at the Public Accounting Firm in Medan City. The sampling technique used in this study is purposive sampling and has special criteria, the questionnaires that were successfully received were 35 questionnaires. The data analysis technique used in this research is descriptive statistics, multiple regression test, hypothesis testing, and coefficient of determination test.

The results showed that partially Audit Fee and Audit Tenure had a significant effect on Audit Quality, Audit Rotation had no effect on Audit Quality. Meanwhile, simultaneously audit fee, audit tenure and audit rotation have a significant effect on audit quality.

Keywords: Audit Fee, Audit Tenure, Audit Rotation, Audit Quality

1. INTRODUCTION

At this time, public accounting services have developed very rapidly. Professional services of public accountants or external auditors are considered to be independent third parties to prevent conflicts of interest between management and shareholders. In Mulyadi (2016), someone who works as an auditor is a person of high integrity and good quality. One of the services offered by public accountants or external auditors is to evaluate and assess the financial statements produced by management in accordance with applicable standards. After auditing the financial statements produced by management, an auditor must make an audit report to account for the opinions stated in the audit report .

An independent auditor must be neutral and impartial to any party. Mulyadi (2016) states that independence is the honesty possessed by the auditor in considering facts and formulating facts and expressing opinions with objective considerations. Besides, independence, another very important criterion for an auditor is having extensive knowledge related to auditing and having an understanding of the auditor's professional code of ethics.

2. RESEARCH METHODS

In this study the type of research used is associative. This research uses a quantitative approach, meaning that quantitative research is research conducted with a scientific study of thought (Suriasumanti, 2005). This study uses a logico-hypothetico-verification process in the research steps carried out, so that the data generated from the research can be measured and converted first into numbers and can be processed using statistical methods.

3. RESULTS AND DISCUSSION

1. Effect of Audit Fee on Audit Quality

The test results obtained that the t value for the competency variable shows the value of $t_{count} > t_{table} = 2.873 > 2.035$ with a significance value of $0.007 < 0.05$. Thus, H1 is accepted and H0 is rejected, which means that audit fees have a significant effect on audit quality. The results of this study indicate that the audit fee has a significant effect on audit quality. If the auditor gets an audit fee that is not in accordance with the workload he is doing, then there is an indication that the auditor will not carry out the audit process optimally. Hoitash et al, (2007) found evidence that when the auditor negotiates with the management of his client company regarding the amount of fees to be paid, it is likely that mutually



beneficial cooperation will occur with clear rules, where this situation will reduce the quality of the audited report.

This is in accordance with the identification of the problem which states that there are many incidents or cases that occur as a result of violations committed by KAP and even many auditors who violate the Auditor Standards, for example the case described in chapter 1 previously, namely the case of KAP Hasnil M Yasin & Partners, in order to arrange changes in rates. income tax PPH article 21 for fiscal years 2001 and 2002, to be adjusted to the new rate. The Langkat Regency Government received compensation or restitution funds of Rp. 5.9 billion. In accordance with the agreement, the Public Accounting Firm (KAP) Hasnil M Yasin & Partners received an honorarium of 20 percent of Rp. 5.9 billion. These results are in accordance with research (Darmaningtyas, 2018) and (Salsabila, 2018) which prove that audit fees have a significant effect on audit quality.

2. Effect of Tenure Audit on Audit Quality

A long engagement period will have a significant effect on high audit quality. The longer the Tenure Audit with the client, the Auditor will have broader knowledge and information regarding the client's business environment. This will make the auditor more thorough in conducting the audit and will improve the quality of the resulting audit (Efraim, 2010). Test obtained score t for variable competence shows the value of $t_{count} > t_{table} = 3.669 > 2.035$ with a value of significance of $0.001 < 0.05$ thus H_2 is accepted and H_0 is rejected, which means it shows that Audit Tenure has a significant effect on Audit Quality.

3. Effect of Audit Rotation on Audit Quality

The test results obtained the value of t for the competency variable shows the value of $t_{count} < t_{table} = 1.599 < 2.035$ with a significance value of $0.120 > 0.05$, thus H_3 is rejected and H_0 is accepted which means that audit rotation has no significant effect on audit quality. The results of this study indicate that audit rotation has no effect on audit quality. This means that the company performs audit rotation, it will not affect the company's audit quality. The things that cause Audit Rotation do not have an effect on Audit Quality are in accordance with the following statement. Davis et al. (2002) stated that the increasing frequency of auditor turnover will increase the start-up costs associated with the initial assignment of auditors, consequently increasing the overall audit costs. The client will incur additional costs in the form of having to devote resources to assisting the auditor in obtaining an adequate understanding of his client's operations and information systems".

4. Effect of Audit Fee, Audit Tenure and Audit Rotation on Audit Quality

From the results of data processing above, it can be seen that the value of $F_{count} \Rightarrow F_{table} = 23,102 > 3.29$ with a probability value of $0.000 < 0.05$. Thus, the conclusion is that there is a significant effect of Audit Fee, Audit Tenure and Audit Rotation together (simultaneously) on Audit Quality. Therefore, H_4 which states that there is an effect of Audit Fee, Audit Tenure and Audit Rotation simultaneously on Audit Quality received. The results of this study indicate that there is an effect of Audit Fee, Audit Tenure and Audit Rotation simultaneously on Audit Quality. If the results are related to previous cases, it shows that the factor that most influences audit quality in this study is the Audit Fee, this is because rational company managers will not choose high-quality auditors and pay high fees if the company's conditions are not good, because there is an assumption that high-quality auditors will be able to detect bad company conditions and convey them to the public (Salsabila, 2018)..

4. CONCLUSION

Based on the results of data analysis and discussion, it can be concluded as follows:

1. Audit Fee has a significant effect on Audit Quality. In other words, the Audit Quality variable can be influenced by the Audit Fee variable. It can be concluded that the higher the Audit Fee, the higher the audit quality of the company.
2. Audit Tenure has a significant effect on Audit Quality. In other words, the Audit Quality variable is also influenced by the Audit Tenure variable. It can be concluded that the length of the auditor's engagement with the client in providing audit services will affect the quality of the audit.
3. Audit rotation has no effect on Audit Quality. This means that the audit quality variable cannot be affected by audit rotation. It can be concluded that the company does or does not perform audit rotation, it will not affect the high and low quality of the company's audit.
4. Audit Fee, Audit Tenure and Audit Rotation have a significant effect simultaneously (simultaneously) on Audit Quality. So it can be concluded that KAP who receive Audit Fees and carry out Tenure Audits and Audit Rotations in accordance with established policies and procedures will produce good quality and are driven by the attitude of auditors who maintain their professionalism as auditors.



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