

THE EFFECT OF KAP ROTATION, AUDIT TENURE, AND AUDIT FEES ON AUDIT QUALITY

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Abstract. Audit quality is profound in maintaining financial information credibility. This study aims to investigate the effect of audit firm rotation, audit tenure, and audit fee on audit quality. The object of this study includes manufacturing companies listed on the Indonesia Stock Exchange between 2017 and 2020. A total of 232 samples from four years of observation were selected through purposive sampling method from 58 companies according to the required criteria. The data analysis by logistic regression utilizing SPSS 25 software exhibited that audit firm rotation and audit tenure did not affect the audit quality whereas audit fee had a positive effect on audit quality.

Keywords: audit quality, audit firm rotation, audit tenure, audit fee, Indonesia Stock Exchange.

I. INTRODUCTION

Currently, the world of economics and business has experienced rapid development. Economic globalization, especially in the capital market, has been the impact of increasing demand for quality and comparable general purpose financial reports (Deegan, 2014: 114). General purpose financial reporting has the benefit of investors and potential investors, creditors, and other parties in making resource facilitation decisions to the entity, which is carried out through the provision of financial information on the reporting entity. (DSAK IAI, 2019). In providing entity financial information that is useful in decision making, a guarantee is needed from a third party, namely the auditor, to ensure that the resulting financial statements have been stated with appropriate representation.

An audit of financial statements is a series of collecting and evaluating evidence about information in determining and reporting the level of conformity between that information and predetermined criteria. (Arens, Elder, and Beasley, 2015: 2). Audit of quality financial statements is an absolute thing that must be fulfilled in accommodating the interests of the public as the principal. In addition, the risk of misstatement of financial statements can also be minimized through the implementation of a quality audit, so as to maintain the credibility of the published financial statements.

Low audit quality has been an issue that has been frequently discussed in recent years. In March 2021, the International Forum of Independent Auditors Regulators (IFIAR) released a call for continuous improvement of audit quality. IFIAR revealed that a qualified quality control system is needed as the main concentration to improve and maintain audit quality (IFIAR, 2021). In the previous few years, as reported by mediaindonesia.com, a survey conducted by IFIAR in 2016 stated that the quality of audits by public accountants in Indonesia was still relatively low.

There are several cases that reflect the low quality of audits. One of them is the plan to summon the independent auditor of PT Tiga Pilar Sejahtera Food Tbk (AISA) by the Indonesia Stock Exchange as reported by cnnindonesia.com. This summoning is related to the results of an investigation report released by Ernst and Young Indonesia (EY) regarding the overstatement of the financial statements of PT Tiga Pilar Sejahtera Tbk for the 2017 fiscal year audited by KAP Amir Abadi Jusuf, Aryanto, Mawar, and Partners (RSM Indonesia). Ernst and Young Indonesia (EY) in its release revealed an alleged overstatement of IDR 4 trillion in accounts receivable, inventory, and fixed assets, IDR 662 billion in sales, and IDR 329 billion in operating profit. The CNBC Indonesia editorial team's search through the cnbcindonesia.com page also revealed that PT Tiga Pilar Sejahtera Tbk has used the same KAP (RSM Indonesia) since the 2004 financial statements. This can certainly be a special note regarding the length of the tenure audit period and the absence of regular KAP rotation.

Another case also occurred at KAP Satrio, Bing, Eny & Partners (Deloitte Indonesia) which audited the financial statements of PT Sunprima Nusantara Pembiayaan (SNP Finance). Based on the release of ppk.kemenkeu.go.id in 2018, there were elements of non-compliance with public accountant professional standards. Understanding of the accounting system, obtaining audit evidence of receivable transactions, and implementing assertions of occurrence and boundary separation have not been carried out adequately. The Ministry of Finance, especially the Center for Financial Professional Development (PPPK), also highlighted the findings of weaknesses in the KAP quality control system regarding the long audit tenure and allegedly triggered the degradation of professional skepticism.

The issue of audit quality in Indonesia needs more comprehensive attention and study. De Angelo (1981) defines audit quality as the possibility of an auditor in identifying and informing the occurrence of a discrepancy in the accounting system. Efforts to maintain or even improve audit quality are fundamental so that financial information can be more relevant and reliable in decision making by interested parties.

On the basis of the urgency of the phenomenon and the inconsistency of the results found in previous studies, researchers are interested in conducting a review by developing research conducted by Agustini and Siregar (2020). There are several differences between this research and previous research. The first difference is in the aspect of the use of the audit fee variable proxy which adopts Herdiyana and Prabowo's (2021) research, namely using the real audit fee value listed in the company's annual report. Previous researchers obtained the amount of audit fees based on the value of the professional fee account in the financial statements, which had the potential to produce biased measurements. The next difference is the selection of public companies in the manufacturing sector as the object of observation, in contrast to previous researchers who used LQ45 index constituent companies. The selection of publicly listed companies in the manufacturing sector in this study as the object of research is based on the role of the manufacturing sector which is classified as vital in Indonesia. Based on the release of the Ministry of Industry of the Republic of Indonesia through the kemenperin.go.id page, in 2021 the manufacturing sector played the most important role in the national economy with the achievement of a contribution of nearly one-fifth of the total Gross Domestic Product (GDP).

This research is expected to contribute both theoretically and practically. Theoretically, this research is a concrete proof of agency theory, especially regarding the existence of agency costs and as a supporting reference for learning accounting students. Practically, this research

can be a consideration for the Public Accounting Firm in an effort to improve audit quality, as a consideration for investors in selecting KAP related to factors that affect audit quality, and as a consideration for regulators or other relevant authorities in policy formulation.

This study aims to obtain empirical evidence of the effect of KAP rotation, audit tenure, and audit fees on audit quality in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period.

II. LITERATURE REVIEW

A. *Theories of Divinity*

Agency theory basically discusses the existence of two parties, namely the owner of capital as the principal and management as the agent. The principal is defined as the party that delegates its authority to another party known as the agent. Agents are individuals or organizations appointed to act on behalf of other parties (principals). Jensen and Meckling (1976) in Deegan (2014: 279) define an agency relationship as a contract from the principal to another party (agent) to carry out services on their behalf (principal) and then delegate some decision-making authority to the agent.

The development of Positive Accounting Theory by Watts and Zimmerman is based on the main assumptions of economics, namely all individual actions are driven by self-interest and these individuals will always act opportunistically in increasing their wealth (Deegan, 2014: 273). In an agency relationship, the agent certainly has better information about the internal entity than the principal (asymmetric information). This can raise concerns that the agent has acted opportunistically by carrying out policies that are not in accordance with the interests of the principal due to information asymmetry. As a result, there is a possibility of agency cost, which is a risk that occurs due to information asymmetry or conflict of interest between the principal (owner or shareholder) and the agent (manager).

In an agency relationship, a third party is needed to verify whether the manager as an agent has exercised his authority in accordance with the interests of the principal. This is the basis for the need for the role of external auditors who can safeguard the interests of each party. The external auditor has the task of certifying the agent's accountability report to the principal in the form of an opinion on the fairness of the financial statements against certain provisions or accounting standards, whose level of audit quality depends on the auditor's ability to identify and inform discrepancies in the report.

B. *Public Accounting Firm Rotation*

KAP rotation according to Kurniasih and Rohman (2014) is defined as a change in the use of a Public Accounting Firm in the audit process of financial statements. KAP rotation can also be interpreted as a transition between the utilization of the services of a KAP in providing general audit services (audit of financial statements) to the utilization of services at another KAP after a certain period has been reached.

In 2002, the Government of Indonesia issued Minister of Finance Decree (KMK) Number 423/KMK.06/2002 concerning Public Accountant Services. This regulation regulates the limitation of the audit tenure or the utilization of general audit services at a KAP on an ongoing basis for a maximum of 5 years and by a Public Accountant on an ongoing basis for a maximum of 3 years.

In 2015, the Government of Indonesia updated the mandatory rotation regulation by issuing Government Regulation (PP) Number 20 of 2015 concerning Public Accountant Practices. This

regulation states that the provision of audit services on financial information by a Public Accountant is limited to a maximum of 5 consecutive financial years. In this update, the government only requires rotation treatment for Public Accountants, while the rotation obligation at the KAP level is eliminated.

C. Audit Tenure

Geiger and Raghunandan (in Nurhayati and Prastiti, 2019) define audit tenure as the length of engagement related to the provision of audit services by a public accounting firm (KAP) to clients.

There is a specific regulation related to the obligation to limit audit tenure in Indonesia, namely the Minister of Finance Regulation (PMK) No.17/PMK.01/2008. The regulation states that the maximum period of time a KAP provides general audit services to an entity is for 6 consecutive years and for public accountants is for 3 consecutive financial years. This provision is then updated in Government Regulation No. 20/2015 which states that the limitation for public accountants to audit an entity is 5 consecutive financial years, while the provision for KAP is changed to be unrestricted.

The urgency of KAP rotation to limit audit tenure is still a polemic until now. Those who agree with the obligation to limit audit tenure argue that KAP rotation will encourage better independence and professional scepticism as a result of reducing the close relationship that has existed between KAP and clients. On the other hand, there are also parties who argue that using the same KAP for a long period of time also brings benefits because KAP is more familiar with the business aspects and environment of the client so that the audit process can be carried out more effectively and efficiently (Martani et al., 2021).

D. Audit Fee

Gammal (in Rinanda and Nurbaiti, 2018) defines audit fees as the amount of costs borne by clients associated with utilizing independent auditor services during the audit process. The imposition of audit fees can be influenced by several factors, including financial characteristics such as the amount of revenue, assets, profits; client environmental factors such as competition and professional labor markets; operational factors such as industry type, number of company locations, number of product lines; as well as factors of activities carried out by external auditors which can include auditor experience, level of coordination with auditors with internal auditors, and so on (Meidawati and Assidiqi, 2015).

A high audit fee may indicate a higher level of effort in conducting the audit. Hoitash et al. (2007) and Wooten (2003) in Pham et.al (2017) reveal that the amount of audit fees provided can encourage auditors to provide maximum effort in the audit process so that it has a positive impact on the quality of the resulting audit. Audit fees are a tangible form of agency costs, especially monitoring costs in the form of costs in organizing audits according to Positive Accounting Theory.

E. Audit Quality

De Angelo (1981) defines audit quality as the possibility of an auditor in identifying and informing the occurrence of a discrepancy in the accounting system. Mgbame (in Kurniasih and Rohman, 2014) suggests that audit quality is actually an abstract thing, difficult to define and quantify or measure with certain standardized tools.

There is an assumption that reputable KAP associated with the Big Four KAP or affiliated with the Big Four KAP will provide more qualified audit quality than non-Big Four KAP (Martani et al., 2021). Lawrence et al. (in Martani et al., 2021) revealed that the Big Four KAP provides more capable audit performance because it is supported by stronger funding capabilities, qualified training programs, standardized audit methodologies, and a more adequate quality control system.

Audit quality is something that must be fundamentally maintained and also improved because it involves the credibility of the company, capital market authorities, as well as auditors and public accounting firms as parties who carry out audit activities. By maintaining audit quality, the financial information presented in the financial statements can be trusted by users of this information in making decisions.

F. Research Framework

The following is the research framework:

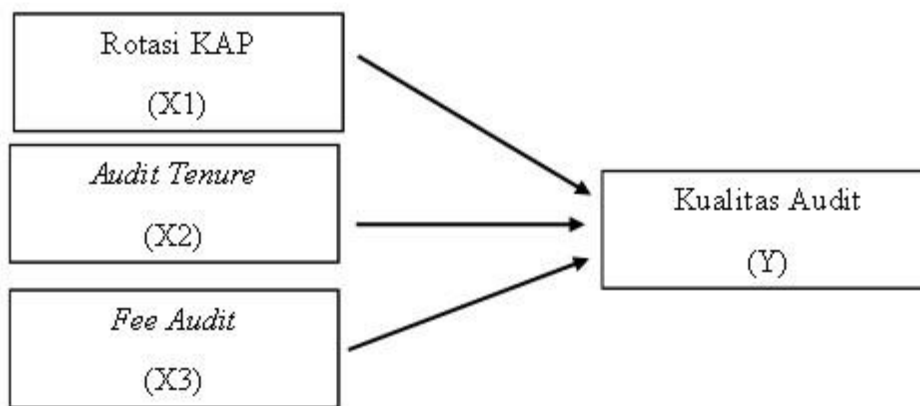


Figure 1. Research framework

G. The Effect of KAP Rotation on Audit Quality

Based on agency theory, there is a situation where the agent has better information about the entity's internal performance than the principal, which is called information asymmetry. With the main economic assumption that all parties including agents will act opportunistically, an independent third party is needed, namely the auditor from the Public Accounting Firm to verify that the agent has carried out the authority given by the principal adequately. There is a view that the implementation of the KAP rotation policy will be able to optimally encourage professional skepticism and independence during the audit process of financial statements because there is no emotional closeness between KAP and clients (Kim et al., 2015).

Previous research has proven the positive effect of KAP rotation on audit quality, namely research by Martani et al. (2021) and Kurniasih and Rohman (2014). However, there are also several previous studies that show contradictory results, including research by Agustini and Siregar (2020), Nurhayati and Prastiti (2019), and Salsabila (2018) which prove that there is no influence between KAP rotation on audit quality.

KAP rotation in this study is the company's condition to change the utilization of the Public Accounting Firm in the general audit. One of the reasons for considering the implementation of the KAP rotation policy is fresh eye perspectives. Fresh eye perspectives at the beginning of the rotation period are considered capable of encouraging audit quality because KAP will exert

maximum effort to get to know the client entity including its internal controls and business processes as well as comparisons with similar related industries. The different perspectives of the new auditor along with the underlying auditor's previous experience of an issue in the company are seen to contribute to improving audit quality. In addition, the potential for emotional closeness between the KAP and the client is relatively low because the relationship period is still relatively short and not intense, so that the independence and professional skepticism of the auditor team can be highly prioritized. The tendency for the high independence of auditors combined with the acquisition of optimal information, both from internal clients, previous auditors, and relevant third parties, is considered to be able to produce quality audits. Thus, the hypothesis formulated is:

H1 : KAP rotation has a positive effect on audit quality.

H. The Effect of Audit Tenure on Audit Quality

Based on agency theory, there is a situation where the agent has more information about the entity's internal performance than the principal, which is called information asymmetry. In an effort to reduce this information asymmetry, the principal then appoints the Public Accounting Firm as an independent third party to verify whether the agent has properly exercised the authority delegated by the principal. Al Thuneibat et al. (in Kurniasih and Rohman, 2014) state that the length of the audit engagement period (audit tenure) can hinder independence as a result of the emotional closeness between the KAP and the client, which can reduce audit quality.

There are several previous studies that prove the negative effect of audit tenure on audit quality such as Prasmawaradana and Astika (2017), Paramita and Latrini (2015), Kurniasih and Rohman (2014), and Panjaitan and Chariri (2014). Research conducted by Payne and Williamson (2021) in the United States proves that too long a relationship between KAP and top management (audit tenure), especially the Chief Financial Officer, has a negative effect on the quality of the resulting audit. Other researchers such as Martani et al. (2021), Agustini and Siregar (2020), Rinanda and Nurbaiti (2018), and Andriani and Nursiam (2018) prove that there is no influence between audit tenure and audit quality.

Audit tenure in this study is the length of the engagement period between a KAP and a client. There is an assumption that there is a need to limit the period of KAP engagement with clients to prevent emotional closeness between the two parties. In addition, an engagement period that is too long is considered to result in the auditor's professional skepticism being degraded. Auditors are considered likely to ignore the option of implementing certain audit procedures that should be implemented because of their closeness to the client. Thus, the hypothesis formulated is as follows:

H2 : Audit tenure has a negative effect on audit quality.

I. The Effect of Audit Fees on Audit Quality

Based on agency theory, there is a situation where the agent has more information about the entity's internal performance than the principal, which is called information asymmetry. In an effort to reduce this information asymmetry, the principal then appoints the Public Accounting Firm as an independent third party to verify whether the agent has properly exercised the authority delegated by the principal. The cost of appointing the KAP is classified

as a monitoring cost which is a derivative of agency cost as a risk that must be borne by the principal in delegating his duties to the agent.

Previous research conducted by Nurhayati and Prastiti (2019), Prasmawaradana and Astika (2017), Kurniasih and Rohman (2014) proved that audit fees have a positive effect on audit quality. Research conducted by Salsabila (2018) also proves the influence between audit fees and audit quality. Different things are obtained in the research of Meidawati and Assidiqi (2019) and Pham et al. (2017) in Vietnam which proves a negative influence between audit fees and audit quality. Other researchers also provide different findings such as Agustini and Siregar (2020) and Rinanda and Nurbaiti (2018) who prove that audit fees have no effect on audit quality.

The audit fee in this study is the real audit fee value disclosed in writing by the company. The high amount of audit fees is expected to result in higher audit quality because auditors are considered to exert maximum efforts such as in terms of the breadth and time of a more comprehensive examination, the deployment of experts or audit personnel with certain experience requirements, as well as other efforts so that it has an impact on higher costs during the audit process. The final implication of the high costs incurred during the audit process is the imposition of higher audit fees on the client. Thus, the hypothesis formulated is:

H3 : Audit fees have a positive effect on audit quality.

III. RESEARCH METHODOLOGY

This research is a quantitative study using documentation techniques, namely collecting, recording, and reviewing secondary data in the form of annual reports and audited financial statements. Financial report data and annual reports are obtained through the official website of the stock exchange (idx.co.id) and the official website of each company. The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period. Determination of the research sample was carried out using purposive sampling technique. Purposive sampling refers to a limited sampling action by setting certain criteria previously determined by the researcher (Sekaran and Bougie, 2017: 67). The data analysis method used is logistic regression with the help of Statistical Packages for Social Sciences (SPSS) software version 25.

IV. RESULT AND DISCUSSION

A. Data Collection Results

This study uses manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period as a population with the acquisition of a population of 152 companies. The sample selection was carried out using the purposive sampling method, resulting in 58 companies meeting the criteria with an observation period of 4 years, so that a total sample of 232 units of analysis was obtained. The sample selection process is presented in the following table:

Table 1. Research Sample Acquisition Criteria

No.	Description	Total
1	Manufacturing companies listed on the IDX in the 2017-2020 period	152
2	Manufacturing companies listed on the IDX that experienced delisting in the 2017-2020 period	(2)
3	Manufacturing companies that do not publish <i>annual reports</i> and audited annual financial reports in the 2017-2020 period.	(24)
4	Manufacturing companies that do not disclose in writing the amount of <i>audit fees</i> in the 2017-2020 period	(66)
5	Manufacturing companies that do not present complete data according to the needs of the research variables	(2)
Number of manufacturing companies that meet the sample criteria		58
Number of years of observation		4
Number of samples during the observation year		232

Source: Processed Data (2022)

B. Descriptive Statistics Results

Descriptive statistics provide an overview of data through the acquisition of variable information regarding the average value (mean), standard deviation, maximum, and minimum (Ghozali, 2018: 19). Descriptive statistics in this study are presented as follows:

Table 2. Descriptive Statistics

	N	Min	Max	Mean	Std. Dev.
AUQ	232	0	1	.39	.489
AUF_ROT	232	0	1	.15	.354
AU_TEN	232	1.0	4.00	2.12	1.086
AU_FEE	232	18.2	22.77	20.33	1.109

Source: SPSS 25 Processing Results (2022)

C. Feasibility of Logistic Regression Model

The appropriateness of the regression model was identified by conducting Hosmer and Lemeshow's Goodness of Fit Test. Hosmer and Lemeshow's Goodness of Fit test is used to test the null hypothesis that the empirical data has a fit with the model. The results of the model feasibility test are stated in the following table:

Table 3. Feasibility of Regression Model

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	12.556	8	.128

Source: SPSS 25 Processing Results (2022)

Based on the table above, it can be identified that the magnitude of the statistical significance value (sig) is 0.128 which exceeds the significance level of 0.05. The implication is that the null hypothesis (data is not different from observations) cannot be rejected. Thus, there has been a match between the model and the observation data so that the model has the ability to predict the observation value.

D. Whole Model Fit Test

The Overall Fit Model test is carried out by comparing the acquisition of -2 Log Likelihood (block number = 0) with the acquisition of -2 Log Likelihood (block number = 1). The results of testing the suitability of the entire model are stated in the following table:

Table 4. Overall Fit Model Test

Iteration History ^{a,b,c,d}						
Iteration		-2 Log likelihood	Log Coefficients			
			Constant	AUF_ROT	AU_TEN	AU_FEE
Step 1	1	162.570	-27.350	-.629	-.050	1.333
	2	133.400	-45.313	-1.031	-.071	2.210
	3	125.343	-60.501	-1.280	-.090	2.952
	4	124.204	-68.868	-1.363	-.101	3.360
	5	124.170	-70.643	-1.373	-.103	3.447
	6	124.170	-70.706	-1.373	-.103	3.450
	7	124.170	-70.706	-1.373	-.103	3.450

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihood: 310.759

d. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Source: SPSS 25 Processing Results (2022)

Based on the table above, it can be identified that the initial -2 Log Likelihood (block number = 0) amounted to 310.759. When compared with the final -2 Log Likelihood (block number = 1) amounted to 124.170 which shows a decrease of 186.589. This decrease indicates the creation of a better logistic regression model (better fit model) after adding independent variables to the model.

E. Coefficient of Determination

The coefficient of determination is needed to determine the capability of the independent variables in explaining the dependent variable.

Based on the analysis results presented in the table below, the Nagelkerke R Square Coefficient shows a magnitude of 0.749. This means that the variability or ability of the independent variables KAP rotation, audit tenure, and audit fees in explaining the dependent variable audit

quality is 74.9%. Meanwhile, the remaining amount, namely 26.1%, is explained by other variables outside the research model.

Table 5. Coefficient of Determination

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	124.170 ^a	.553	.749

- a. Estimation was terminated at iteration number 7 because parameter estimates changed by less than .001.

Source: SPSS 25 Processing Results (2022)

F. Classification Matrix

The classification matrix is used as an estimate of the predictive power of a logistic regression model, which in this study is the probability of the dependent variable audit quality. The results of the classification matrix analysis are stated in the following table:

Table 6. Classification Matrix

Classification Table ^a					
	Observed	Predicted			
		AUQ		Percentage Correct	
		0	1		
Ste	AUQ	0	127	14	90.1
p 1		1	17	74	81.3
Overall					86.6

Source: SPSS 25 Processing Results (2022)

Based on the table above, it can be identified that the accuracy of the model in predicting the probability of audit quality through the use of the Big Four KAP proxy as a whole is 86.6%. Partially, from the prediction of 91 samples that have more qualified audit quality through the use of KAP Big Four, there are only 74 samples or 81.3% that have prediction accuracy, while from the prediction of 141 samples with less qualified audit quality that do not use KAP Big Four services, there are 127 samples or 90.1% that have classification accuracy.

G. Hypothesis Testing Results

Logistic regression is used to predict the effect of independent variables on the probability of occurrence of the dependent variable in hypothesis testing. The logistic regression model formed can be identified through the test results contained in the Variables in the Equation table in the following table:

Table 7. Hypothesis Test Results

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1a	AUF_ROT	-1.373	.800	2.947	1	.086	.253
	AU_TEN	-.103	.225	.209	1	.648	.902
	AU_FEE	3.450	.494	48.772	1	.000	31.495
	Constant	-70.706	10.117	48.845	1	.000	.000

a. Variable(s) entered on step 1: AUF_ROT, AU_TEN, AU_FEE.

Source: SPSS 25 Processing Results (2022)

Based on the table above, the logistic regression equation can be formulated as follows:

$$\ln(AUQ/(1-AUQ)) = -70.706 - 1.373 \text{ AUF ROT} - 0.103 \text{ AU TEN} + 3.450 \text{ AU FEE}$$

Based on the identification of the above equations, several things are presented as follows:

1. This logistic regression model has a constant value of -70.706 which implies that if all independents are assumed to have a value of 0, the resulting audit quality tends to decrease by 70.706.
2. The KAP rotation variable (AUF ROT) has a regression coefficient of -1.373 which implies that every 1 unit increase in KAP rotation will reduce the resulting audit quality by 1.373.
3. The audit tenure variable (AU TEN) has a regression coefficient of -0.103 which implies that every 1 unit increase in audit tenure will reduce the resulting audit quality by 0.103.
4. The audit fee variable (AU FEE) has a regression coefficient of 3.450 which implies that every 1 unit increase in audit fees will increase the resulting audit quality by 3.450.

1. *The Effect of KAP Rotation on Audit Quality*

The results of the logistic regression analysis show that the statistical significance of the KAP rotation variable is 0.086 with a Beta value of -1.373. This can be interpreted that there is no significant effect between KAP rotation and audit quality which can be identified through the amount of sig value that exceeds 0.05. These results contradict the previously formulated hypothesis, namely that there is a positive influence between KAP rotation and audit quality, so H1 is rejected.

Based on the results above, it can be identified that there is no effect between the KAP rotation treatment on audit quality. The implementation of KAP rotation either voluntarily, or as a form of compliance with regulations is indeed considered capable of presenting fresh eye perspectives because the audit process is carried out by a different Public Accounting Firm and audit team members than before will certainly have a different organizational culture, experience, and perspective on an issue than before. However, the new perspectives that are present through KAP rotation are not necessarily able to improve the quality of the resulting audit.

The use of a new KAP does not automatically improve audit quality because there can be a trade-off between the use of a new KAP and an old KAP. In certain aspects, it is possible that there are advantages of new KAP such as the lack of emotional attachment between KAP and clients. However, the shortcomings of the new KAP may also appear, such as a lower

understanding of clients so that the hope of improving audit quality through KAP rotation fails to be achieved. In line with this view, Kim et al. (2015) argue that in the implementation of KAP rotation, there is a possibility that the new KAP audit team still does not have a comprehensive understanding of aspects of the client's business processes, client internal controls, and comparisons of the client company's business processes with other companies in similar industries which results in the inability of auditors to design the audit process effectively.

The results of this study are in line with the research of Agustini and Siregar (2020), Nurhayati and Prastiti (2019), and Salsabila (2019) that the implementation of KAP rotation does not affect the quality of the resulting audit.

2. The Effect of Audit Tenure on Audit Quality

The results of the logistic regression analysis show that the statistical significance of the audit tenure variable is 0.648 with a Beta value of -0.103. It can be interpreted that there is no significant influence between audit tenure and audit quality which can be identified through the amount of sig value that exceeds 0.05. These results contradict the previously formulated hypothesis, namely that there is a negative influence between audit tenure and audit quality, so H2 is rejected.

Based on the above results, it can be identified that there is no influence between the audit tenure period on audit quality. This is based on the tendency of the Public Accounting Firm to continue to maintain the performance of the resulting audit quality because it is bound by auditing standards and regulations of other relevant authorities that apply, regardless of the desired tenure length during the utilization of KAP services.

The Public Accounting Firm tends to maintain public trust, especially the principal who has empowered the KAP to objectively verify the authority of the agent. In addition, there is also the threat of administrative sanctions such as the suspension of the Registered Certificate (STTD) and other sanctions issued by the relevant authorities if the KAP fails to carry out its duties, which is certainly an unfavorable action for the KAP. This view is also in line with the steps taken by the Government of Indonesia in the most recent regulation, namely PP No. 25 of 2015 to eliminate restrictions on the tenure period for the use of Public Accounting Firms in general audits (audits of financial statements) compared to previous regulations governing this matter.

The results of this study are in line with the research of Martani et al. (2021), Agustini and Siregar (2020), Rinanda and Nurbaiti (2018), and Andriani and Nursiam (2018) that audit tenure does not affect the quality of the resulting audit.

3. The Effect of Audit Fees on Audit Quality

The results of the logistic regression analysis show that the statistical significance of the audit fee variable is 0.000 with a Beta value of 3.450. It can be interpreted that there is a significant influence between audit fees and audit quality which can be identified through the amount of sig value that is less than 0.05 and with a positive direction seen from the amount of Beta value greater than zero. These results are in line with the previously formulated hypothesis, namely that there is a positive influence between audit fees and audit quality, so that H3 can be accepted.

Based on the above results, it can be identified that there is a significant positive effect of the amount of audit fees on the resulting audit quality. Providing higher audit fees is proven to have implications for producing higher audit quality. This is based on the tendency to exert

more maximum effort by the auditors of the Public Accounting Firm during the audit of the financial statements through the provision of higher audit fees. One element that plays a significant role in the audit process is the professional judgment of an experienced auditor.

Auditors can justify setting a higher audit threshold (if deemed necessary), so that they can exert more maximum effort regarding the time and scope of the examination, the deployment of experts or audit personnel with specific skill requirements and certain experience, as well as other efforts that can be optimized through the availability of high audit fee resources. This view is also supported by other opinions that are in line, namely according to Kurniasih and Rohman (2014), that high audit fees are considered capable of preventing auditors from not performing certain procedures that should be carried out. Fauziah and Praptiningsih (in Herdiyana and Prabowo, 2021) stated that a highly reputable KAP will charge a higher audit fee as compensation for the experience and competence of the auditors so that audit results are obtained that truly represent the actual situation.

The results of this study are in line with research by Herdiyana and Prabowo (2021), Salsabila (2018), Prasmawarada and Astika (2017), and Kurniasih and Rohman (2014) that the amount of audit fees will affect the quality of the resulting audit.

V. CONCLUSION

Audit quality plays an important role in maintaining the credibility of financial statements. This study was conducted to obtain empirical evidence of the effect of KAP rotation, audit tenure, and audit fees on audit quality in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period. Based on the results of the study, it can be identified that audit quality is not affected by KAP rotation and audit tenure because companies are considered to continue to strive to maintain the quality of the resulting audit regardless of the desired tenure length and the possibility of trade offs when implementing KAP rotation. Different things are obtained in the audit fee variable which is proven to affect audit quality in a positive direction because KAP is considered capable of carrying out audit procedures more optimally when resources including audit fees are available.

There are several suggestions submitted by researchers, both to further researchers and to relevant related parties, among others:

1. Future researchers can consider using other proxies based on data input calculations, such as the use of discretionary accrual proxies and earnings surprise benchmarks in estimating the acquisition of audit quality.
2. Future researchers may consider using different independent variables in the study, such as auditor specialization and audit partner rotation.
3. Future researchers can expand the scope of research, for example by adding other company fields such as financial services or mining companies, as well as by adding observation time beyond 4 years so that it is expected to be able to provide a more representative picture of the results.
4. Researchers can then periodically re-access the company page that is under maintenance.
5. The government can maintain the substance of the policy in PP No. 25 of 2015 concerning Public Accountant Services, namely regarding the elimination of the policy of limiting the audit tenure period through the obligation to implement KAP rotation after reaching a certain period imposed in the previous regulation.

6. Related government agencies such as the Financial Services Authority (OJK) can encourage or issue regulations to issuers/companies to disclose the amount of audit fees as a form of information disclosure and good corporate governance to capital market investors and other interested parties.

The results of testing hypotheses H1 and H2 prove that there is no influence between KAP rotation and audit tenure on audit quality through the identification of statistical significance values that are <0.05 . This research is also supported by a sufficient coefficient of determination, which is 26.1% of the variability of the dependent variable explained by other factors outside the study. The results of this study support the Indonesian Government's policy as stated in PP No. 25 of 2015 not to limit audit tenure through the implementation of mandatory rotation at KAP.

There are several limitations in this study, among others:

1. Researchers did not make efforts to re-access company websites that were undergoing maintenance on a regular basis. Documentation of the company's annual report and financial statements was only done once considering the limited research time and the uncertainty of the page maintenance period.
2. This study uses KAP reputation as a proxy for audit quality based on the logical reasoning of the maturity of the tools and resources available and the reputational risk of the Big Four KAP, so there is still the possibility of inaccurate measurements under certain conditions.

ACKNOWLEDGEMENT

The author would like to express gratitude to all the people who have helped in the completion of this study.

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