THE INFLUENCES OF AUDIT TENURE, SIZE OF AUDIT FIRM, AUDITOR'S EXPERTISE, NON AUDIT SERVICE AND AUDITOR’S REPUTATION TO AUDIT QUALITY
(EMPIRICAL STUDY AT THE AUDIT FIRM IN MEDAN)

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Abstract: The Objective of this study are to find out, analyze and prove empirically the influence of Audit Tenure, Firm Size (Public Accounting Firm), Auditor Expertise, Non Audit Services, Auditor Reputation to Audit Quality at the KAP (Public Accounting Firm) in Medan. This research is kind of causal research. The population in this study is auditor’s which has working in the public accounting firm in Medan at least 1 year. The sampling technique used was saturated sampling method with the number of respondents as many as 99 Auditor’s. The data were gathered by distributing questionnaires to each Public Accounting Firm in Medan. Method of analysis on this research by using multiple linear regression analysis. The results of this study indicate that Tenure Audit and Auditor Reputation have significantly affect on audit quality and then the Size of the Firm, Auditor Skills and Non-Audit Services have no significant effect on the Audit Quality at the Public Accounting Firm in Medan.

Keywords: Audit Tenure, Audit Firm Size, Auditor's Expertize, Non Audit Services, Auditor's Reputation dan Audit Quality

I. PENDAHULUAN

Audit quality can be created if auditor’s hold on professional rule about which was given. So the creation of report is free from misstatement that from human error and pure fraud. audit quality is a process that carry out the audit based on professional standard so that the audit are able to properly disclose and report whether mistatement exist in the financial statement (Rosnidah, Rawi, & Kamarudin, 2011). Therefore audit quality is a most important things. Where the demand of audit quality increase from entity, investor, bank and goverment that want report free from material misstatement.

Public still remember “Enron Scandal” in United States. Where enron scandal it’s not just affect one company but more complex to all economic activity in United States that time. It’s not the end, Audit scandal still happened in 2015, Toshiba company has been lying to public and investor with overstated profit worth USDS 1,200,000,000,- since fiscal year 2008. Fraud scandal in that report is hidden by management of toshiba perfectly and that affect external auditor from Ernst & Young can’t find that in toshiba report (Ziziphus, 2015).

Based on phenomena of financial report scandal which involved management and external auditor make people do not believe auditor’s report. it’s really big question mark, “Does the quality of independent audit report can be influenced by some factors?” and so in audit activity, some auditor can’t do professional standart in that job and for that audit quality is interesting issue to be discussed related to nowadays phenomena

II. THE LITERATURE AND HYPOTHESES

Theoretical basis used in this research is Agency Theory (Jensen & Meckling, 1976). This theory state that investor gives authority to manager for manage, control and make strategic
decisions for a company. Often there is a conflict of interest. This problem is known as asymmetric information. This situation happened as a result of unequal distribution of information between the principal and the agent. To reduce agent prepare asymmetric information in financial report. Then it is needed for independent third parties who is free from any conflict of interest from any party.

2.1 Kualitas Audit

as stated by (De Angelo, 1981) audit quality is defined as the likelihood to discover and report material misstatements by auditor’s technical capabilities. Meanwhile audit quality as stated by (Rosnidah, Rawi, & Kamarudin, 2011) implementation of audits conducted in accordance with the standards, so it is able to disclose and report in case of any infraction done by the client. Audit quality is also determined by several important factors which include Size Of Audit Firm, Industrial Expertise, Audit Tenure, Audit Fee, Non-Audit Service, Auditor’s Reputation and Auditor’s Specification (independence and responsibility). (Hosseinniakani, Inácio, & Mota, 2014). Indeed, Audit quality will not be the same among the Audit Firms, even offices with significant different sizes between international audit firm and local - national audit firm.

2.2 Audit Tenure

Audit Tenure has been researched and divided into short and long tenure. In this case, short tenure will cause the reduction of knowledge in understanding the corporate environment. The impact will cause low outcome from expected audit quality (Hosseinniakani, Inácio, & Mota, 2014). Long tenure audit also has a negative and positive side, the positive effect a deep understanding of the client's business. The affect will make an Auditor hasn't independence (Hamid, 2013). Because between auditor’s and client has a deep relation which is convenient and mutually beneficial so audit quality going low (Pratiwi, 2013). The limitation of auditor’s tenure is an attempt to prevent auditors from interacting too close to the client thus disrupting its independence (Giri, 2010).

Results of research (Manry, Mock, & Turner, 2008) have found that auditor tenure was negatively related to audit quality as measured by accruals. To maintain the quality of audit services remain quality then, Indonesian government through the Minister of Finance issue Regulation of the Minister of Finance No. 17/PMK.01/2008 that the general audit services to the financial statements from audit firm the longest for 6 (six) years respectively and a Public Accountant for a maximum of 3 (three) financial year respectively.

2.3 Audit Firm Size

Audit Firm Size is based on : Total Revenue, Number of Partners, Number of Professional Staff, and A Number of Offices (Arens, Elder, & Beasley, 2014). Four classifications of difference Audit Firm Size :
1. “The Big Four” Public Accountant whose existence is worldwide
2. National Public Accountant
3. Local – regional Public Accountant
4. Small Public Accountant

Companies that want a good credibility tend to choose large accounting firm to audit its financial statements (Hamid, 2013). Public Accountant who has international affiliation certainly has more experience so as to produce better audit quality (Firth & Liau-Tan, 1998).

2.4 Auditors Expertise

Expert is defined as someone who has extensive knowledge and procedural skills that are demonstrated in the audit experience (Lastanti, 2005). Expertise is a continuous movement in
the form of learning process from "knowing something" to “knowing how” (Dreyfus & Dreyfus, 1986). As stated by (Dreyfus & Dreyfus, 1986) describes the process of acquiring skills into five step:
1. Novice.
2. Advanced Beginner.
3. Competence.
4. Profrency.
5. Expertise.

According to (Mui, 2009) in (Wardhani, 2014) there are 10 components of auditor expertise that are categorized into 4 categories, which are Knowledge, Problem-Solving Ability, Interpersonal Skills and External Factor. Factors that support or relate to the category of expertise that include:
1. Knowledge and experience.
2. Problem-Solving Ability.
4. Thinking Ability.

In the opinion of (Suryani & Helvinda, 2014) Audit skills include expertise on examination as well as mastery of issues examined or knowledge that can support the examination task. Audit quality depends on the auditor's ability to perform a thorough account check and detect possible errors or anomalies (Arruñada, 2000)

2.5 Non-Audit Services
Non-Audit Services is other services than audits such as management consulting and taxation services (Agusti & Pertiwi, 2013). Kind of non-audit services which is provided by audit firm is accounting services, tax services and management consulting services (Mulyadi, 2002). The regulation of the Minister of Finance Indonesian Republic Number 17/PMK.01/2008 also regulate about services related with accounting, finance, management, tax services and consultancy accordance with the competence of public accountants and regulation which accepted in Indonesia. Non audit services and audit services may affect audit quality (Jeong, Jung, & Lee, 2005). In other opinion (Francis, 2004) declare that high levels of non-audit services may reduce auditor independence and may also affect on audit quality.

2.6 Auditor’s Reputation
Auditor’s Reputation is what the market expect that will be done by the auditor in its assignment (Putri, 2012). Reputation in auditing is interpreted as endogenous mechanisms that result in maximum audit effort and consistent with high audit quality (Mayhew, 2001). Generally, big audit firm have more reputation than small audit firms. So, the cost of reputation in smaller audit firm is less than in large audit firms (Hogan, 1997). Auditor’s reputation directly related to the actual level of the auditor's report (Choi & Jeter, 1992).

2.7 Review Penelitian Terdahulu (Theoretical Mapping)
Teoritical mapping dalam penelitian ini dapat dilihat sebagai berikut:
III. METODE PENELITIAN

This research is Causal Associative type. It means that there are independent variables (variables that affect) and dependent (influenced). Meanwhile, the population included in this research is public accountant firm located in Medan that is 21 Public Accountant Firm. This research use Heterogeneity Sampling. This method is used because the population to be researched is not too much. In this research use primary data that come from questionnaire. for analyzing and processing data, this research use software smart PLS

IV. METODE ANALISIS DATA

Multiple Regression Model is a method of data analysis used in this research. It is intended to see the relationship pattern of more than one independent variables to the dependent variable. The statistical equations used are described below:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \]

Quality of data test used in this research are: Test Validity for research data is determined by an accurate process (Lubis, 2015). And for the instrument or questionnaire is able to express something that will be measured by the questionnaire (Ghozali, 2013). The use of reliab test is to improve the reliability of the results of a measurement, with the provision that the variables to be analyzed have coefficients cronbach’s alpha > 0.60 (Ghozali, 2013).

This research also use of Multicollinearity Test. A good regression model should not be correlated between independent variables (Ghozali, 2013). Variables have multicollinearity problems if VIF value is greater than 10. The last one to justify a model whether or not to affect the phenomenon is used hypothesis testing.

V. RESEARCH RESULT AND DISCUSSION

The following will summarize the results of the SmartPLS output data processing with the data source of the collection during the research period so that it can be seen as follows:

Validity Test Data

An instrument is valid if it has an AVE value above the minimum limit of 0.5. Average Variance Extracted test results will be shown in the following table:
Table 5.1 Validity Test

<table>
<thead>
<tr>
<th></th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(X1) Tenur Audit</td>
<td>0.525*</td>
</tr>
<tr>
<td>(X2) Ukuran KAP</td>
<td>0.693*</td>
</tr>
<tr>
<td>(X3) Keahlian Auditor</td>
<td>0.738*</td>
</tr>
<tr>
<td>(X4) Jasa Non Audit</td>
<td>0.673*</td>
</tr>
<tr>
<td>(X5) Reputasi Auditor</td>
<td>0.738*</td>
</tr>
<tr>
<td>(Y) Kualitas Audit</td>
<td>0.502*</td>
</tr>
</tbody>
</table>

*Valid

The entire instrument is valid

Reliability Test Data

A research measurement reliable if the variable to be analyzed has its composite reliability greater than 0.6. The higher the value of composite reliability, the reliability of internal consistency has been proven between the three reflective latent variables (Bagozzy & Yi, 1988).

Table 5.2 Reliability Test

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>(X1) Tenur Audit</td>
<td>0.767*</td>
</tr>
<tr>
<td>(X2) Ukuran KAP</td>
<td>0.870*</td>
</tr>
<tr>
<td>(X3) Keahlian Auditor</td>
<td>0.894*</td>
</tr>
<tr>
<td>(X4) Jasa Non Audit</td>
<td>0.856*</td>
</tr>
<tr>
<td>(X5) Reputasi Auditor</td>
<td>0.894*</td>
</tr>
<tr>
<td>(Y) Kualitas Audit</td>
<td>0.873*</td>
</tr>
</tbody>
</table>

*Reliable

The entire instrument is reliable

Multicolinearity Test

The method used in Multicollinearity testing is by looking at the Collinearity Statistic output of SmartPLS in the form of Variance Inflation Factor (VIF) value. If the value of VIF <10, then it can be concluded free data from symptoms multicollinearity (Ghozali, 2013).

Table 5.3 Collinearity Statistic (VIF)

<table>
<thead>
<tr>
<th></th>
<th>(Y) Kualitas Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>(X1) Tenur Audit</td>
<td>1.334</td>
</tr>
<tr>
<td>(X2) Ukuran KAP</td>
<td>1.016</td>
</tr>
<tr>
<td>(X3) Keahlian Auditor</td>
<td>1.453</td>
</tr>
<tr>
<td>(X4) Jasa Non Audit</td>
<td>1.158</td>
</tr>
<tr>
<td>(X5) Reputasi Auditor</td>
<td>1.784</td>
</tr>
<tr>
<td>(Y) Kualitas Audit</td>
<td>1.873</td>
</tr>
</tbody>
</table>

T Test

The statistical test t basically indicates how far an independent factor is individually or partially in explaining the variation of the dependent variable. T test results can be seen in the following table:
### Table 5.4 T Test

<table>
<thead>
<tr>
<th></th>
<th>T Statistics (O/STDEV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(X1) Tenur Audit -&gt; (Y) Kualitas Audit</td>
<td>5.959</td>
</tr>
<tr>
<td>(X2) Ukuran KAP -&gt; (Y) Kualitas Audit</td>
<td>1.567</td>
</tr>
<tr>
<td>(X3) Keahlian Auditor -&gt; (Y) Kualitas Audit</td>
<td>1.485</td>
</tr>
<tr>
<td>(X4) Jasa Non Audit -&gt; (Y) Kualitas Audit</td>
<td>0.223</td>
</tr>
<tr>
<td>(X5) Reputasi Auditor -&gt; (Y) Kualitas Audit</td>
<td>3.329</td>
</tr>
</tbody>
</table>

The t test results show that:

1. The first hypothesis states that the relationship of Audit Tenure variable affect the Quality Audit. Based on t count value of 5.959. The value indicates that greater than the value of t table of 1.96. It means Hypothesis 1 is accepted.

2. The second hypothesis states that the correlation of Audit Firm Size variable affects the Quality of Audit. Based on t count value of 1.567. The value indicates that it is smaller than the value of t table of 1.96. It means Hypothesis 2 is rejected.

3. The third hypothesis states that the relationship of variables Auditor Expertise affect the Quality Audit. Based on t count value 1.485. The value indicates that it is smaller than the value of t table of 1.96. It means Hypothesis 3 is rejected.

4. Fourth hypothesis states that the relationship of Non-Audit Services variables affect the Quality Audit. Based on t count value 0.223. The value indicates that it is smaller than the value of t table of 1.96. It means Hypothesis 4 is rejected.

5. The fifth hypothesis states that the relationship of Auditor Reputation variables affect the Quality Audit. Based on the value of t count of 3.329. The value indicates that greater than the value of t table of 1.96. It means Hypothesis 5 is accepted.

### Determination Coefficient Test (R²)

Coefficient of determination (R²) used to see the ability of the model in explaining the independent variable to the dependent variable of the model built. Coefficient of determination (R²) test results will be described as follows:

### Table 5.5 Determination Coefficient Test (R²)

<table>
<thead>
<tr>
<th>(Y) Kualitas Audit</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Y) Kualitas Audit</td>
<td>0.498</td>
<td>0.471</td>
</tr>
</tbody>
</table>

From the above test results it can be seen that adjusted R Square or coefficient of determination is equal to 0.471 or 47.1%. It means that, the independent variable is able to explain the variation of the dependent variable only by 47.1%, the remaining 52.9% is explained by other variables outside the model.

### VI. CONCLUSIONS AND RECOMMENDATIONS

**Conclusions.**

Based on the evidence from the test data that has been executed. Thus, this study needs to infer the results to be elaborated as follows:

1. Audit Tenure affects audit quality. To achieve optimal audit quality whether it is short and long term assignment should be coupled with the attitude of objectivity and independence so that management interests can be minimized. This study assumes that the audit agreement period will have a positive effect on audit quality.
2. Audit firm size does not affect on audit quality. This means that there is no difference in the quality of accruals for firms audited by Audit Firm international affiliated or the Non International Affiliated Audit Firm.

3. Auditor's expertise has no effect on audit quality. It is possible that an auditor is not required to have special expertise other than audit but may use experts, independent consultants and in accordance with the expertise of an independent expert.

4. Non-Audit Service has no effect on audit quality. Non-audit services do not affect the independence of public accountants so that audit quality can be maintained. Auditor in Medan stick to the code of ethics.

5. Auditor’s reputation affects the quality of the audit. So, the reputation of auditors affect the quality of audits so that auditors who works in an international Audit firm has a better reputation than an auditor who only works in a local national Audit Firm has good competence and has experience in handling various business conditions of the client.

6. That the test results of the coefficient of determination showed 47.1% of the variables studied (Audit Tenure, Audit Firm Size, Auditor’s Expertize, Non Audit Services, Auditor’s Reputation) affect the quality of audit at Audit firm in Medan.

**Limitations of Research.**

This research has been pursued in accordance with the rules of scientific research, but there are still some limitations. Limitations of this study include:

1. In this research the process of collecting data using questionnaire method. So, each respondent answers based on the assumptions and perspective of each auditor in seeing a phenomenon of the problem so it is possible to use the element of subjectivity.

2. The results of this study using the population of Audit Firm in Medan and generalize conditions at the time of the research. The results of research on subsequent researchers may be different in results if research is done in the different object and times.

**Recommendation.**

Suggestions for further research on audits, particularly those related to audit quality are as follows:

1. In the next research is expected to increase the number of respondents and expand the location of the research so that accuracy in generalizing a research results have a higher level of accuracy.

2. For further research concerning audit quality, it is necessary to add independent variables outside of the variables research, such as those relating to Audit Fee, Control from within and outside Audit Firm, Accountability and Auditor Ethics and other variables.

3. The latter is to improve, modify, measure indicators and questions on the instruments used in accordance with developments in the dynamic world of accounting.
BIBLIOGRAPHY


