



# The Effect of *Audite Tenure*, KAP's Reputation and *Audite Fee* an Audit Quality with the Audit Committee as Moderation Variables

Ignasia Natalelawati<sup>(✉)</sup> and Usep Syaipudin

Economics and Business, Lampung University, Bandar Lampung, Lampung, Indonesia  
natalelaignasia@gmail.com

**Abstract.** Audit quality determines how much accuracy the report has in presenting information for external parties of the company as a basis for decision-making. The phenomena associated with auditors in accounting decrease public confidence in the quality of auditors. In its development, audit quality is strongly influenced by various factors such as Audit Tenure, KAP Reputation and Audit Fees as well as the audit committee that oversees the process of an audit. This study uses quantitative research with a moderation approach. The data required is data originating from the Indonesia Stock Exchange which is data on manufacturing companies in 2019–2021 which produced 151 companies with a sample of 32 companies in a period of 3 years so that a total of 96 quantitative data was obtained. The statistical tool used is SPSS Version 21.

**Keywords:** Audite Tenure · KAP Reputation · Audit Fee · Audit Quality and Audit Committee

## 1 Introduction

The Indonesian economy is inseparable from the public accounting profession. The role of public accountants as support improving the quality and credibility of financial information to improve good corporate governance. The intended financial information is used in making economic decisions for investors, creditors, the government and other stakeholders. In making decisions, audit quality determines how accurate a financial report is for external parties. A high-quality audit will produce financial reports that can provide a fairness guarantee so that it can be used for better investment decision making Elevendra and Yunita [1].

In Indonesia, there was a financial report scandal. In general, this occurs due to differences in interests that lead to high financial scandals. These scandals are usually related to the manipulation of financial reports by management. Owners and investors usually hand over wealth management to company management, but this causes a difference in the interests of principals (owners and investors) and agents (management) which causes a financial statement manipulation scandal in Indonesia. The phenomenon that links auditors to accounting scandals causes a decline in public confidence in the

quality of auditors. Auditors are always required to audit financial statements as well as possible. However, sometimes fraud in auditing also occurs and even many scandals reveal various cases of fraudulent financial statements [2]. Qatrunnada and Sundari In its development, audit quality is strongly influenced by internal factors, but also external factors. No matter how great the auditor's technical ability is, it will still be very dependent on other external variables that underlie the auditor's decision-making in giving an opinion. Many factors affect audit quality in a company including tenure audits, KAP reputation and, audit fees.

## 2 Literature Review

### A. Agency theory

Santoso [3], Agency theory (*Agency Theory*) explained that agency problems arise due to information asymmetry and conflict of interest between the two. Agents want high compensation for work done. Conflict of interest raises the need for assurance that the financial reports prepared by management are free from elements of fraud and have been presented in accordance with applicable standards and principles. A public accountant is a party capable of mediating between principals and agents who have different interests in managing company finances.

### B. Stakeholder Theory

Ardiningsih [4] the relevance of financial reports is needed by stakeholders to assess the performance of company management. So the company needs the services of an auditor who moves independently and objectively to audit the company's financial statements. This theory is practically responsible not only to shareholders but to other stakeholders.

### C. Hypothesis

*Agency Theory* in this case as a cooperative relationship between agent and principal. According to Nainggolan and Alfian [5] the authority given to the principal to the agent is in the form of making the best decision for the principal with the aim of resolving agency problems that arise as a result of parties collaborating but having different goals. According to Sari [6] *stakeholder theory* with a reasonable audit opinion so that investors are interested in investing in the company, with a fair audit opinion and every year is reasonable then it can be said that the company has a good value in the eyes of investors.

Charmila [7] found the fact that tenure audits have a simultaneous effect on audit quality. Research conducted by Sari [6] found the fact that tenure audits affect audit quality. Sari and Rahmi [8] found the fact that KAP's reputation affects audit quality. In research conducted by Basworo and Sumardjo [9] found the fact that the reputation of public accounting firms (KAP) affects audit quality. Darmawan and Ardini [10] found the fact that audit fees affect audit quality. Based on the discussion that has been presented, the hypotheses in this study are:

H<sub>1</sub>: Tenure audits have a positive effect on audit quality.

H<sub>2</sub>: KAP reputation has a positive effect on audit quality.

H<sub>3</sub>: Audit fees have a positive effect on audit quality.



Standard Deviation Fee Audit value is 1.154. The minimum value for Audit Fee is 18.40 and the maximum value is 22.63 with a variance of 1.333.

*B. Regression Model Equation:*

$$Y = 14.378 + 1.040X_1 + 1.560X_2RKAP \\ + 0,8111X_3 + ZKomite + 0,125Tenure * Komite \\ + 0,478 RKAP * Komite + 0,199LnAudit * Komite.$$

*C. Tenure Audits have a Positive Effect on Audit Quality*

Siregar and Agustini [12] found the fact that tenure audits do not affect audit quality. Ardhianto [13] found the fact that tenure audits do not affect audit quality. Because there are already many public accounting firms that have short terms of office, namely less than 3 years according to regulations regarding audit rotations that must run for less than 3 years.

*D. KAP Reputation has a Positive effect on Audit Quality*

Sari and Rahmi [8] found the fact that KAP's reputation affects audit quality. In addition, the results of Basworo and Sumardj [9] found the fact that the reputation of KAP influences audit quality. The two studies above support the results of this study, namely the reputation of a public accounting firm affects audit quality. This is because KAP that already have a good reputation will try to maintain their audit quality.

*E. Audit Fee have a Positive effect on Audit Quality*

Dewi [14] found the fact that audit fee effect on audit quality. Darmawan and Ardini [15] found the fact that audit fees affect audit quality. This is because obtaining good audit quality will require time, effort, a long process and high costs.

*F. The Audit Committee Effect Moderating the Tenure audit on Audits Quality*

Wahyu [16] found the fact that the Audit Committee cannot moderate the influence of audit tenure on audit quality. Apriani [17] has not been able to moderate the relationship between KAP tenure on audit quality.

This research is in line, the audit committee is not able to moderate the relationship between audit tenure and audit quality. This is because the auditor has been able to take advantage of the time in the audit process so that even though the auditor's engagement time is short it does not affect audit quality. The better the performance of the audit committee in carrying out their duties in providing oversight in the implementation of external audits, the shorter the audit tenure.

*G. The effect of KAP's Reputation on Audit Quality with the Audit Committee as a Moderating Variable*

Charmila [18] the existence of an audit committee can strengthen the influence of the reputation of the KAP on audit quality. So the above research is in accordance with the results of this study, namely the audit committee moderates the relationship between the reputation KAP on audit quality. This is because the audit committee has a role in the

company, namely the authority to supervise the implementation of the audit of company operations, one of which is the preparation of financial reports.

#### H. *The Effect of Audit Fee on Audit Quality with Audit Committee as a Moderating Variable*

Laili [19] the audit committee is able to moderate the effect of audit fees on audit quality. Rompas [20] the audit committee is able to moderate the effect of audit fees on audit quality. This is consistent with the results of this study, namely the audit committee is able to moderate the relationship between audit fees and audit quality. The audit committee has a supervisory role in the implementation of external audits and in determining audit fees.

## 5 Conclusion

The tenure audit has no effect on audit quality, this is because a long engagement period does not always have an impact on poor audit quality because a long engagement period will have an impact on good quality because the auditor already knows the company well enough. It will also occur during a short engagement period which does not guarantee good audit quality because with a short engagement period the auditor does not know enough about the company to be audited so that information that has an impact on financial position is also not sufficient. This happens because the auditor is able to learn about the client company quickly. The audit committee strengthens the relationship between Public Accounting Firm (KAP) reputation and audit quality. This is due to the effective delegation of shareholder authority to the audit committee.

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