The effect of audit tenure, audit rotation, accounting firm size, and client's company size on audit quality

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ABSTRACT

This study aimed to examine the effect of audit tenure, audit rotation, public accounting firm size, and client's company size on audit quality. Audit quality in this study is peroxided by earnings quality which is measured by the level of discretionary accruals of modified jones model, while audit tenure is measured by counting the year in which the same auditors have made work engagement with the auditee. Audit rotation and public accounting firm size are measured by using dummy variable, while client's company size is measured by using the growth of total assets. The population in this study consists of public companies, especially the telecommunications and retail sectors service companies listed in Indonesia Stock Exchange in the period 2012-2017. Sampling technique used is purposive sampling method. The total of the sample is 30 companies. After data observation, there are 73 samples included as outlier and should be excluded from samples of observation. So, the final data used are 107 data. Multiple linear regressions analysis is used as analysis technique. The empirical results of this study show that audit tenure and public accounting firm size have no effect on audit quality; audit rotation has negative and significant effect on audit quality; and client's company size has positive and significant effect on audit quality.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh audit tenure, rotasi audit, ukuran KAP, dan ukuran perusahaan klien pada kualitas audit. Kualitas audit dalam penelitian ini diproksikan dengan kualitas laba yang diukur dengan tingkat akrual diskresioner modified jones yang model, sedangkan audit tenure diukur dengan menghitung tahun di mana auditor yang sama telah melakukan kerja sama dengan pihak yang diaudit. Rotasi audit dan ukuran AKP diukur dengan menggunakan variabel dummy, sedangkan ukuran perusahaan klien diukur dengan menggunakan pertumbuhan total aset. Populasi dalam penelitian ini terdiri dari perusahaan publik, terutama perusahaan jasa telekomunikasi dan sektor ritel yang terdaftar di Bursa Efek Indonesia pada periode 2012-2017. Teknik pengambilan sampel yang digunakan adalah metode purposive sampling. Total sampel adalah 30 perusahaan. Setelah observasi data, ada 73 sampel dimasukkan sebagai outlier dan harus dikeluarkan dari sampel pengamatan. Jadi, data akhir yang digunakan adalah 107 data. Analisis regresi linier berganda digunakan sebagai teknik analisis. Hasil empiris dari penelitian ini menunjukkan bahwa audit tenure dan ukuran AKP tidak berpengaruh pada kualitas audit; rotasi audit berpengaruh negatif dan signifikan terhadap kualitas audit; dan ukuran perusahaan klien memiliki pengaruh positif dan signifikan terhadap kualitas audit.

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1. INTRODUCTION

Along with the rapid economic development, both multinational and international companies are increasingly competing to present quality financial statements. The presentation of quality financial statements can be used not only by internal parties as a means of consideration for decision making, both short and long term, but also by external parties (investors, creditors, the public, government) to assess the company's condition.

According to the Indonesian Accounting Association (IAI) in Financial Accounting Standards (SAK) as of January 1, 2017, financial statements must have several characteristics, such as understandable, relevant, reliable, and comparable. In order for financial statements to meet these characteristics, it requires third parties who are considered capable of assessing and measuring financial statements. They are independent auditors who are responsible for planning and conducting audits so as to obtain adequate assurance that the audited financial statements are qualified and free from both intentional and unintentional material misstatements.

According to Tandiontong (2015: 225), audit quality is the probability of the ability and willingness of an auditor to detect, report, and disclose errors or material misstatements in the accounting system used by his clients. The Indonesian Accounting Association (IAI) argues that the audits conducted by auditors at the time of inspection can be said to be of quality, if they meet the auditing standards set by Indonesian Institute of Certified Public Accountants (IAPI) and relevant quality control standards.

In 2014-2017 there were several major cases which caused the users' trust in the audit quality conducted by independent auditors to decrease. The case that occurred in 2014 involved the TESCO retail company with the PWC Accounting Firm which had been in a relationship for more than 31 years, where TESCO overstated the profit of 263 million pounds higher than the profit it should have had. Although the PWC auditors knew the misstatements in profits presented by TESCO, they intentionally covered up the misstatement and continued to provide unqualified opinions on the financial statements presented on the grounds that the PWC could win the next audit tender (www.businessnews.id, 2017).

The next case occurred in the second quarter of 2017 involving British Telecom and PWC Accounting Firm. The British multinational company experienced accounting fraud that occurred in one its business lines in Italy. The fraud that failed to be detected by the PWC Accounting Firm was actually detected by a whistleblower, and it was then followed up by a forensic investigation by KPMG Accounting Firm (www.wartaekonomi.co.id, 2017).

The last case occurred in early 2017 involving Ernst and Young (EY) Accounting Firm partner in Indonesia, that is, Purwantono, Suherman, & Surja Accounting firm. This case began when Purwantono, Suherman, & Surja Accounting Firm was assessed as failing to audit its clients' financial statements by US regulators. This failure occured because the provision of opinion by Purwantono Accounting Firm to the telecommunication company (Indosat) was not supported by adequate audit evidence (www.bisnis.tempo.com, 2017).

Various studies show that there are several factors that can influence an auditor's audit quality, such as internal factor and external factor. This research focuses on external factors that affect audit quality, consisting of audit tenure, audit rotation, Accounting Firm size, and client's company size.

Audit tenure is the period of audit assignments carried out between the auditor (Public Accounting Firm) and the company that is audited on an ongoing basis which can be measured by the number of years without changing to another Public Accounting Firm. The length of the auditor's tenure in one company has been regulated in the regulation concerning audit work arrangements regulated in Indonesia through the Minister of Finance Regulation No. 17 / PMK.01 / 2008 concerning Public Accountant Services. The results of research conducted by Ardani (2017) and Gonzales et al (2013) show that audit tenure has a positive effect on audit quality, where longer audit tenure can improve the competencies that base audit decisions on the auditor's knowledge of the client's company. However, the results of research conducted by Prasetia and Rozali (2016), and Kurniasih and Rohman (2014) show that audit tenure has a negative effect on audit quality, where the higher the audit tenure, the lower the audit quality, and on the contrary the lower the audit tenure, the higher the audit quality. Different results are found in the research conducted by Herianti and Suryani (2016), Febriyanti and

Mertha (2014), Wahono and Setyadi (2014), and Gultom and Fitriany (2013) that audit tenure has no effect the audit quality conducted by auditors.

Audit rotation, or the replacement of the Public Accounting Firm in auditing client's company, is carried out either compulsorily or voluntarily which can be distinguished on the basis of the parties that are the focus of attention. If auditor rotation is done voluntarily, the main focus is on the company, but if auditor rotation is done compulsorily, the main focus will be on the auditor (Febrianto, 2009). The change of Accounting Firm (audit rotation) is carried out because there are regulations that limit the tenure between the Accounting Firm and the client, where if there is no audit rotation, it can lead to closeness of the relation between the two parties which indicates that the auditor's assignment is not objective and will reduce audit quality.

The client's views about the size of the Public Accounting Firm are often assessed from the presence or absence of affiliation with the international accounting firm (the big 4 accounting firm) and the audit fee incurred by the client, whether the fee is large or small and comparable to the audit results. The result of research conducted by Gultom and Fitriany (2013) shows that the size of Accounting Firm has a positive effect on audit quality. However, the result of research conducted by Febriyanti and Mertha (2014) shows that the size of Accounting Firm has no effect on audit quality.

The size of the client's company is determined by the scope of its information. Small companies tend to have a narrow scope of information because of lack of attention from shareholders, thus signaling a lack of information and weak supervision. The result of research conducted by Febriyanti and Mertha (2014) shows that the size of client's company has a positive effect on audit quality. This result is contrary to the result of research conducted by Wahono and Setyadi (2014) which shows that the size of client's company does not affect audit quality.

Based on cases regarding audit quality and the inconsistency of the results of previous studies, this research paper aims to examine and explore the influence of audit tenure, audit rotation, Accounting Firm size, and client's company size on audit quality. This research will highlight companies listed on the Indonesia Stock Exchange.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory
Jansen and Meckling in 1976 presented a theory called agency theory. Agency theory is a version of game theory that makes a contractual model between two or more people (parties), where one party is called an agent and the other is called a principal. The principal gives an agent the authority to carry out certain tasks in accordance with the work contract agreed upon by both parties (Tandiontong 2015: 4).

The existence of an independent auditor as a third party will create agency costs as a form of problem solving. Agency theory divides agency costs into 3 parts: (1) incentive compensation costs; (2) monitoring costs; (3) residual losses. The form of monitoring costs is the appointment of an independent third party as a mediator between the principal and the agent. These costs are often known as external audit fees which are determined according to the size of the Accounting Firm and the company's ability to allocate these costs.

Audit Quality
Tandiontong (2015: 225) describes audit quality as the probability of the ability and willingness of an auditor to detect, report, and disclose errors or material misstatements in the accounting system used by his clients. An independent auditor is required to produce a quality audit and high quality work, because the auditor has a large responsibility to interested parties in using the financial statements, such as companies, creditors, and the public.

Audit quality can be measured using several approaches, one of which is using earnings quality as a proxy for its measurement. Earnings quality is often associated with quality in financial statements. Profit, as part of the financial statements, does not always present the actual facts about the economic conditions faced by the company, so that the profit that can initially be expected as a means of consideration for decision making is doubtful. Auditors are expected to be able to limit and reduce accounting practices that can affect audit quality (Kartikasari. 2012). One measurement of earnings quality is by using discretionary accrual. Ardani (2017), Nadia (2015), and Wahono and Setyadi (2014) measured audit quality using the earnings quality approach. High discretionary accrual indicates accounting fraud or earnings management.

Audit Tenure

Audit tenure is the length of the relationship or the period of work engagement between the auditor and the client in terms of checking financial statements. It has an impact on client's company, such as the auditor independence and competence, emotional relationships between auditor and client, fees, and so forth. The regulation regarding the audit work engagement is regulated in Indonesia through the Minister of Finance Regulation No. 17 / PMK.01 / 2008 where the period of service provision for public accountants, in which previously Public Accounting Firm could provide general audit services for a maximum of 5 (five) consecutive financial years then converted into 6 (six) consecutive financial years and for a Public Accountant for a maximum of 3 (three) consecutive financial years.

Audit Rotation

Audit rotation is the change or rotation of auditor and Public Accounting Firm due to the government regulations regarding the limitation of audit services. According to Isaac et al. (2014), audit rotation can be divided into 2: rotation due to government regulations (mandatory) and rotation due to other reasons other than government policies (voluntary).

Public Accounting Firm Size

According to Prasetia and Rozali (2016), audit quality is often associated with an auditor scale that has four advantages:
1. The number of clients handled by the Public Accounting Firm.
2. The number of types of services provided by the Public Accounting Firm.
3. The geographical coverage of the services provided, including international affiliations.
4. Number of audit staff in the Public Accounting Firm.

Small-scale accounting firms prioritize the interests of client audit fees compared to the risk of audit failures. They have a tendency to compromise audit quality due to the dependence of client audit fees. Large-scale accounting firms are less responsive to the requests and pressures given by clients to facilitate audits of their financial statements. Large-scale accounting firms have no compromise on audit quality so that the quality of audits conducted by large-scale accounting firms is more qualified.

Client's Company Size

According to Brigham and Houston (2011: 117), company size is the average net total sales for the year concerned until a few years later. If sale is greater than the variable costs and fixed costs, the amount of income before tax will be obtained. Conversely, if the sale is smaller than the variable costs and fixed costs, the company will suffer losses.

The Effect of Audit Tenure on Audit Quality

According to Deis and Groux (1992) in Nadia (2015), the length of time it takes the auditor to audit the same company affects the audit quality. The longer the auditor performs the assignment for the same company, the closer the relationship between the auditors and the clients, so that there will be a tendency for the audit quality carried out by auditors to decrease. This was supported by Minister of Finance Regulation No. 17 / PMK.01 / 2008 concerning Public Accountant Services which limit audit engagement.

The result of research by Prasetia and Rozali (2016) and Kurniasih and Rohman (2014) shows that audit tenure has a negative effect on audit quality. The result explains that the higher the tenure that exists between an auditor and his client, the lower the quality of the audit conducted by the auditor.

H1: Audit tenure has a negative effect on audit quality

The Effect of Audit Rotation on Audit Quality

In accordance with regulations that limit the tenure stipulated in the Minister of Finance Regulation No. 17 / PMK.01 / 2008 concerning Public Accountant Services which limits audit engagement, the longer the company does not carry out audit rotation, the lower the independence and objectivity of the auditor. This will have an impact on the quality of audits conducted by independent auditor. The result of research conducted by Prasetia and Rozali (2016) shows that the longer the audit rotation in the company, the lower the audit quality in the company.

The length of relationship between the auditor and the client causes no audit rotation so that it will have a tendency to reduce audit quality. The tendency of companies to reject the obligation of audit rotation is because of the potential for disturbing threats. However, if the company does not follow the obligation of audit rotation, the auditor's independence

will be disrupted and will have a tendency to side with the client.

H2: *Audit rotation has a negative effect on audit quality*

The Effect of Public Accounting Firm Size on Audit Quality

Agency theory explains that audit fee is a form of monitoring costs to resolve principal and agent problems. The size of the fee depends on the size of accounting firm and the company's financial capacity. Small-scale accounting firms have a tendency to compromise audit quality because of the dependence of client audit fees so that the quality of audits is poor. Meanwhile, large-scale accounting firms are less responsive to requests and pressures given by clients to expedite the audit of their financial statements because they have received sufficient audit fees so that the quality of the audit will be high. Large-scale accounting firms have a greater responsibility for assignments and reputation than small-scale accounting firms. The result of research conducted by Gultom and Fitriany (2013) shows the existence of a positive relationship between Accounting Firm size and audit quality, where if the company uses a large Accounting Firm (Big4), the quality of the audit conducted will be better.

H3: *Accounting firm size has a positive effect on audit quality*

The Effect of the Client's Company Size on Audit Quality

Company size can be seen from total assets owned. Large companies that have large total assets can describe their financial condition so that the companies can budget a large audit fee to hire a large Accounting Firm audit service. This will have an impact on higher audit quality. Large companies have a better internal control system than small companies, so it

will assist auditors in conducting audits. The result of research conducted by Febriyanti and Mertha (2014) proves that the size of the client's company has a positive effect on audit quality, where the bigger the company, the better the audit quality conducted by the auditor.

H4: *Client's company size has a positive effect on audit quality*

3. RESEARCH METHOD
Sample Classification
This study used the population of service companies in the telecommunications and retail trade sectors listed on the Indonesia Stock Exchange with a total of 5 telecommunications sector service companies and 25 retail trade sector service companies. The number of population can be reduced if it does not meet the criteria set out in this study. The sample is financial statements that include an independent auditor's reports for the period 2012-2017. The sampling technique used is purposive sampling method with the criteria: 1) issuing audited financial statements during the study period (2012-2017); 2) including the independent auditor's report during the study period (2012-2017); 3) during the study period (2012-2017) the companies (auditee) did not experience delisting on the IDX; and 4) the currency used in the company's financial statements is Indonesian Rupiah (IDR).

The study used secondary data obtained indirectly through intermediary media that have been published or, in other cases, obtained through third parties. They were collected by documentation, that is, by collecting, recording, and reviewing secondary data in the form of company financial reports accompanied by reports from independent auditors from the telecommunications sector and retail trade service companies that can be downloaded through the www.idx website. co.id,
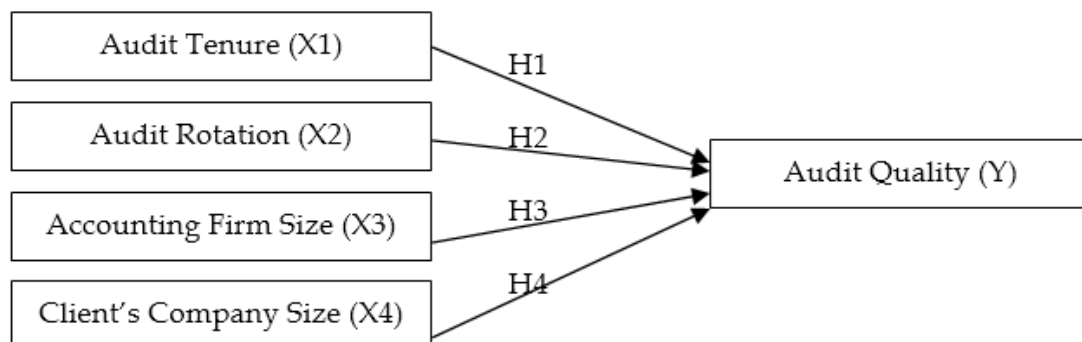

Figure 1
Framework

Operational Definition of Variable
Audit Quality
Audit quality is all possibilities where an auditor, while conducting audit on his client's financial statement, can detect any misstatements in the client's accounting system and reports it on the audited financial statements. Audit quality in this study uses a proxy of discretionary accrual of modified Jones model.

$$DACC_{it} = TA_{it}/A_{it-1}-[\alpha_1(1/A_{it-1})+\beta_1(\Delta REV_{it}-\Delta REC_{it}/A_{it-1})+\beta_2(PPE_{it}/A_{it-1})]$$

Note:
$DACC_{it}$: Discretionary Accrual of Company i in Year t
TA_{it} : Total Accruals of Company i in Year t
ΔREV_{it} : Changes in Income of Company i in Year t
ΔREC_{it} : Changes in Receivables of Company i in Year t
PPE_{it} : Fixed Assets of Company i in Year t
A_{it-1} : Total Assets of Company i in Year t

Audit Tenure
Audit tenure is the length of the relationship or the period of work engagement between the auditor and the client in terms of checking the client's financial statements. Audit tenure refers to the research by Werastuti (2013), in which it is measured using the interval scale by calculating the number of years the Public Accounting Firm audits the financial statements of a company in sequence. The calculation of the number of years of tenure is carried out backwards starting from 2017 and continued to be traced until the year the client moved to another auditor.

Audit Rotation
Audit rotation is the replacement of Accounting Firm assigned to provide audit services to its client for a maximum of 6 consecutive financial years. The measurement of audit rotation variable in this study refers to research conducted by Nizar (2017), where the audit rotation variable is measured using a dummy variable, that is, if an audit rotation occurs, the value is 1; and if no audit rotation occurs, the value is 0.

Public Accounting Firm Size
The size of Public Accounting Firm is divided into two groups: Accounting Firms that are affiliated with Big 4 and Accounting Firms that are not affiliated with Big 4. The variable

of Accounting Firm size is measured using a dummy variable, that is, if the company is audited by Big 4 Accounting Firm, the value is 1, and if the company is audited by non-Big 4 Accounting Firm, the value is 0.

Client's Company Size
The size of client's company is measured by the total assets listed in the company's financial position. Large total assets owned by a company indicate that the size of the company is large. Small total assets owned by a company indicate that the size of the company is small. The variable of the size of client's company in this study is calculated by the formula for the growth of the company's total assets.

$$Size \quad \frac{\text{Total Asset}_t - \text{Total Asset}_{t-1}}{\text{Total Asset t-1}}$$

Analysis Tool
Multiple linear regression analysis is used to test the effect of audit tenure, audit rotation, accounting firm size, and client's company size on audit quality. Multiple linear regression analysis is chosen to test the effect of several independent variables on one dependent variable. To find out the relationship, here is the regression equation:

$$AQ = \alpha + \beta1tenure + \beta2rotation + \beta3AF + \beta4 + e$$

Note:
AQ : Audit Quality
Tenure : Audit Tenure
Rotation : Audit Rotation
AF : Accounting Firm Size
Size : Client's Company Size
α : Constant
β_{1-4} : Regression Coefficients
e : Error

4. DATA ANALYSIS AND DISCUSSION
Descriptive Test
Descriptive analysis was used to provide an overview of the variables used in this study, cinsisting audit quality, audit tenure, audit rotation, accounting firm size, and client company size.

Based on Table 1, audit quality provides information that the data used in this study are 107 samples. The variable of audit quality has the lowest value of -0,337. The negative sign on audit quality, which is proxied by discretionary accrual, indicates the management's attempt to reduce profit figures by utilizing accruals.

Table 1
Descriptive Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Audit Tenure	107	1	6	3.08	1.638
Audit Rotation	107	0	1	0.07	0.264
Accounting Firm Size	107	0	1	0.59	0.494
Client's Company Size	107	-0.255	169.829	7.75256	16.404790
Audit Quality	107	-0.337	2.974	0.07754	0.306550

Source: Data Processed

The company that obtained the smallest audit quality value was PT Rimo International Lestari Tbk in 2013. In that year, the total accrual of PT Rimo International Lestari Tbk decreased so that it had negative value. This happened because in 2013 the company applied the standard of Statement of Financial Accounting Standards (PSAK) No. 38 (revised 2012) which was effective on January 1, 2013 and the existance of new board of commissioners and directors. The highest value of the audit quality variable is 2.974. The positive value signifies an effort from the management to raise the profit rate by utilizing accruals. The company that obtained the highest value in audit quality was PT Rimo International Tbk in 2017. This happended because the value of non-discretionary accrual (NDACC) increased due to management's policy to acquire PT Hokindo Properti Investama which was engaged in real estate, so that the company's revenue increased rapidly. The mean value of audit quality variable obtained from 107 companies sampled during the 2012-2017 period was 0.07754 with the standard deviation value of 0.306550.

The lowest value of the variable of audit tenure is 1, which represents the beginning of the year of the engagement between the auditor and the client, or when the client replaces the previous Accounting Firm with the new Accounting Firm. While the highest value is 6, which represents the final period of research where the engagement between the auditor and the client remains intertwined for 6 consecutive books if there is no change in Accounting Firm, which in this study can be represented by 2012 (if for 6 years the company did not replace Accounting Firm). The audit tenure variable has a mean value of 3.08, meaning that the average company sample of this study cooperates with the same Accounting Firm for 3 years of engagement, with a standard deviation value of 1.638.

The lowest value of the variable of audit rotation is 0, which represents no rotation of the Public Accounting Firm at the company during the study period, while the highest value is 1, which represents the occurrence of the rotation of Public Accounting Firm in the company during the study period. The variable of audit rotation has a mean value of 0.07. This shows that the average company sample does not perform audit rotation, with a standard deviation value of 0.264.

The lowest value of the variable of Accounting Firm size is 0, which represents the company audited by the Accounting Firm affiliated with non big4 Accounting Firm during the study period, while the highest value is 1, which represents the company audited by Accounting Firm affiliated with big 4 Accounting Firm during the study period. The variable of Accounting Firm size has a mean value of 0.59, which indicates that most companies use big4 Accounting Firm because the mean value of Accounting Firm size is close to 1, with a standard deviation value of 0.494.

The lowest value of the variable of client company size is -0.255, meaning that the company has total assets in the study year (t) smaller than the previous year (t-1), where the company that obtained the lowest value of company size was PT Rimo International Lestari Tbk in 2013. The highest value of the variable of client company size is 169.829. This means that the company has total assets in the study year (t) greater than the total assets of the previous year (t-1). PT Rimo International Tbk in 2017 was the company weith the highest value of this variable. The average value of the variable of company size obtained by 107 companies sampled during the 2012-2017 period was 1.75256, with a standard deviation value of 16.404790.

Results of Analysis and Discussion
Regression analysis is conducted to determine the relationship between the independent

variable and the dependent variable.

Based on Table 2, it can be seen that the constant value is 0.080. This indicates that if the independent variable is considered constant, the mean value of audit quality is 0.080. The regression coefficient of audit tenure (X1) is -0.008, indicating that every increase in one unit of audit tenure value, and consider that the other independent variables to remain, the audit quality will decrease by 0.008. A negative sign on the regression coefficient value indicates a relationship that is not in the same direction.

The regression coefficient value of audit rotation (X2) is -0.176, indicating that every increase in one unit of audit rotation value, and consider that the other independent variables to remain, the audit quality will decrease by 0.176. A negative sign on the regression coefficient value indicates a relationship that is not in the same direction.

The regression coefficient value of accounting firm size (X3) is 0.007, indicating that every increase in one unit of accounting firm size value and consider that the other independent variables to remain, the audit quality will increase by 0.007. A positive sign on the regression coefficient value indicates the existence of a unidirectional relationship.

The regression coefficient of company size (X4) is 0.017, indicating that every increase in one unit of value of the client's company size, the audit quality will increase by 0.017. A positive sign on the regression coefficient value indicates the existence of a unidirectional relationship.

Table 2 shows that the adjusted R^2 value is 0.872, indicating that 87.2% of the variation that occurs in audit quality is influenced by audit tenure, audit rotation, Accounting Firm size, and client's company size, while the remaining 12.8% (100% - 87.2 % = 12.8%) is influenced by other variables outside the model. The value of R^2 which is close to number 1 means that the ability of all independent variables (audit tenure, audit rotation, Accounting Firm size, and client's company size) to explain the dependent variable (audit quality) is great.

The value of F count based on the data presented in Table 2 is 180.856, with a significance probability value of $0.000 < 0.05$. This shows that the regression model is declared "fit".

Table 2 shows that the variable of audit rotation has a t-calculated value of -4,333 with a significance value of 0.000 which means that audit rotation has a negative significant effect on audit quality because the negative sign on the t-count indicates the direction of the influence of the variable and the significance value < 0.05. The variable of client's company size has a t-count value of 25,928 with a significant value of 0.000 which means that the client's company size has a significant positive effect on audit quality because a positive sign on the t-count indicates the direction of the variable and the significance value is < 0.05. The variable of audit tenure has a significance value of 0.249 and the variable of Accounting Firm size has a significance value of 0.736, each of which is greater than 0.05. This shows that the variables of audit tenure and Accounting Firm size do not have an effect on audit quality.

Analysis of the Effect of Audit Tenure on Audit Quality

Audit tenure has no effect on audit quality. The descriptive test can provide information

Table 2
Results of Multiple Linear Regression Analysis

Variable	Regression Coefficient	Std. Error	t count	Sig.
Constant	0.080	0.026	3.114	0.002
Audit Tenure	-0.008	0.007	-1.159	0.249
Audit Rotation	-0.176	0.041	-4.333	0.000
Accounting Firm Size	0.007	0.022	0.338	0.736
Client's Company Size	0.017	0.001	25.928	0.000
R^2	0.876			
Adjusted R^2	0.872			
F count	180.856			
Sig. F	0.000			

Source: Data Processed

that the average audit tenure is 3 consecutive years and based on frequency test, it is also known that after 3 years of tenure, there are still many sample companies continue to use the same Public Accounting Firm. Thus, the first hypothesis (H1) in this study, which states that audit tenure has a negative effect on audit quality, is rejected.

This shows that the audit tenure cannot fully be a benchmark of audit quality, which means that the long audit tenure does not always influence the independence and objectivity of the auditor so that it does not affect the quality of the audit conducted by an independent auditor. Conversely, short audit tenure, between the auditor and his client, does not necessarily guarantee the reliability of audit quality due to not having sufficient knowledge and experience to conduct an audit on the client's financial statements. Audit tenure cannot influence audit quality because the auditors appointed by Public Accounting Firm to audit refer to the correct code of ethics and audit procedures and do not involve the close relationship with their clients. In addition, the auditors maintain the reputation of the Accounting Firm charged to them so that the image of their Accounting Firm is not smudged.

According to agency theory, the third party or independent auditor appointed to conduct the audit for the interests of the client will increase agency costs. The audit services can lead to accounting firms dependence on the clients, because the accounting firm will try to meet the expectation of the clients. When the clients are satisfied with the performance of the accounting firm, they have a tendency to stick with the same accounting firm. Therefore, the independence and objectivity of the auditor will decrease and this will have an impact on the quality of the audit conducted by the auditor. In fact, this study shows that audit tenure has no effect on audit quality. Companies still use the same accounting firm to audit their financial statements.

The results of this study are in line with the results of research conducted by Herianti and Suryani (2016), Febriyanti and Mertha (2014), Wahono and Setyadi (2014), and Gultom and Fitriany (2013) that the variable of audit tenure does not affect audit quality. This happens because the length of the audit contract cannot describe the independence and objectivity of an independent auditor. However, the results of this study are not in line with the results

of research conducted by Pramaswardana and Astika (2017), Prasetia and Rozali (2016) research, and Kurniasih and Rohman (2014) that the variable of audit tenure has a negative and significant effect on audit quality.

Analysis of the Effect of Audit Rotation on Audit Quality
The results of multiple linear regression analysis indicate that audit rotation has a negative and significant effect on audit quality. So, the second hypothesis (H2) in this study, which states that audit rotation has a negative effect on audit quality, is accepted.

These results indicate that the company does not perform audit rotation for a long period of time or does not follow the regulations set by the government. Regarding audit service restrictions caused by companies having a tendency to reject the rotation obligation, it is because there are potential disturbing threats. Therefore, the quality of audits conducted by independent auditors will decrease in line with the length of time the company delays to rotate the Public Accounting Firm assigned to audit its financial statements. The decrease in audit quality, if there is no audit rotation, can be caused the decrease in auditor's independence and objectivity which can make the auditor side with and help the client.

According to agency theory, agency costs incurred by companies to hire audit services as a form of problem solving between principals and agents can lead to Accounting Firm dependence on clients, because the Accounting Firm will try to meet the expectations desired by its clients. When clients are satisfied with the performance of the Accounting Firm, they have a tendency to stick with the same Accounting Firm, so that the independence and objectivity of the auditor will decrease and this has an impact on the quality of the audit conducted by the auditor. In accordance with the results of this study, the longer the company delays audit rotation, the lower the audit quality produced because it can indicate the decrease in the independence and objectivity of the auditor.

The results of this study are in line with the results of research conducted by Prasetia and Rozali (2016) which show that the variable of audit rotation has a negative and significant effect on audit quality. This means that the longer the company delays the audit rotation, the lower the probability of the company's audit quality. However, the results of this

study are not in line with the results of research conducted by Nizar (2017), Ardani (2017), and Pramaswardana and Astika (2017) which show that the variable of audit rotation has no significant effect on audit quality.

Analysis of the Effect of Accounting Firm Size on Audit Quality

The regression test results show that Public Accounting Firm size does not affect audit quality. In the descriptive test of the variable of Accounting Firm size shows that most companies use Big 4 Accounting Firm, but the comparison between companies using non Big4 Accounting Firm and Big4 Accounting Firm is not significant or not too large (17.8% different). So, it can be concluded that the Accounting Firm size, whether having affiliation with Big4 Accounting Firm or not, has no impact on audit quality. The third hypothesis (H3) in this study, which states that the Accounting Firm size has a positive effect on audit quality, is rejected.

The size of a Public Accountant Office, whether having affiliation with Big 4 or non-Big 4 Public Accounting Firm, cannot be a benchmark for audit quality, because in auditing a company's financial statements, a public accounting firm must follow good audit procedures. In agency theory, one of the agency costs is monitoring cost. And external audit cost is one example of monitoring cost. The size of the external audit cost will be determined by the company's ability, or it can be said that large companies will have a tendency to choose local accounting firm that has affiliation with big4 Accounting Firm. The results of this study show that Accounting Firm size has no effect on audit quality. This is because as long as the Accounting Firm always follows the audit procedure, the audit quality produced will be good.

The results of this study are in line with the results of research conducted by Febriyanti and Mertha (2014) which prove that the size of Public Accounting Firm does not significantly influence audit quality. But the results of this research are not in line with the results of research conducted by Gultom and Fitriany (2013) which show that the size of Public Accounting Firm has a positive effect on audit quality.

Analysis of the Effect of Client's Company Size on Audit Quality

The results of regression test show that the client's company size has a positive and significant effect on audit quality. The fourth hypothesis (H4) in this study, which states that the size of the client's company has a positive effect on audit quality, is accepted.

This is because large companies can describe their financial condition better so that the companies can budget a large audit fee to hire a large Accounting Firm audit service which will later have an impact on audit quality. Large companies also have a better internal control system than small companies. The existence of a control system will assist auditors in carrying out their assignments. In accordance with the agency theory used in this study, the larger the company, the higher the ability of the company to budget large external audit costs to use the services of external auditors to help examine and minimize misstatements in the company's financial statements, so that the owners of the company (principals) can assess the management performance in actual condition.

The results of this study are in line with the results of research conducted by Febriyanti and Mertha (2014) that the size of the client company has a positive effect on audit quality, the larger the size of the client company, the better the audit quality produced by the auditor. The larger the company, the higher the agency cost. So, large-sized companies tend to choose professional, independent, and reputable auditor services to produce better audit quality. But the results of this study are not in line with the results of research conducted by Wahono and Setyadi (2014) that the client company size does not affect audit quality.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to find out the effect of audit tenure, audit rotation, Public Accounting Firm size, and client's company size on audit quality. The population of this study is 30 telecommunications and retail trade service companies listed on the Indonesia Stock Exchange (IDX) with a final sample of 107 sample data with a 6-year research period, from 2012 to 2017.

It can be concluded as follows: 1) the result of the first hypothesis (H1) test indicates that audit tenure has no significant effect on audit quality, so the first hypothesis is rejected; 2) the result of the second hypothesis (H2) test indicates that audit rotation has a negative and significant effect on audit quality, so the second

hypothesis is accepted; 3) the result of the third hypothesis (H3) test indicates that Public Accounting Firm size has no effect on audit quality, so the third hypothesis is rejected; and 4) the result of the fourth hypothesis (H4) test indicates that the client's company size has a positive and significant effect on audit quality, so, the fourth hypothesis is accepted.

This study has several limitations: (1) there are some data that must be outlier because they have extreme values and make the data become abnormal, so researchers need to reduce the research sample, (2) the population and sample used in this study are only the telecommunications sector and retail trade service companies, therefore, they cannot be said to represent the total number of service companies.

It is recommended that further research 1) expand the research subject so that it can represent the total number of companies listed on the Indonesia Stock Exchange and able to describe the current conditions in Indonesia, 2) use other proxies to measure audit quality, such as opinion going concern and earning surprise benchmark, (3) add other independent variables such as audit fees, audit reputation, audit specialization, and other variables to measure audit quality, and (4) use perceptions in the independent auditor aspect, not from institutional aspects.

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Appendix: Classical Assumption Test Results

Normality Test results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		107
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.10776150
Most Extreme Differences	Absolute	.071
	Positive	.071
	Negative	-.049
Test Statistic		.071
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standard-ized Coef-ficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.080	.026		3.114	.002		
	Audit Tenure	-.008	.007	-.041	-1.159	.249	.972	1.029
	Audit Rotation	-.176	.041	-.152	-4.333	.000	.991	1.009
	Accounting Firm Size	.007	.022	.012	.338	.736	.975	1.026
	Client's Company Size	.017	.001	.915	25.928	.000	.973	1.027
a. Dependent Variable: Audit Quality								

Heteroscedasticity Test
Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.067	.016		4.175	.000
	Audit Tenure	.002	.004	.039	.401	.689
	Audit Rotation	.050	.025	.189	1.954	.053
	Accounting Firm Size	.011	.014	.080	.816	.416
	Client's Company Size	.000	.000	-.095	-.972	.334
a. Dependent Variable: RES3						

Auto Correlation Test
Runs Test

	Unstandardized Residual
Test Valueª	-.00109
Cases < Test Value	53
Cases >= Test Value	54
Total Cases	107
Number of Runs	55
Z	.098
Asymp. Sig. (2-tailed)	.922
a. Median	