

# The Influence of Audit Rotation, Audit Tenure and Workload on Audit Quality at Consumer Goods Sector Manufacturing Companies listed in Indonesia Stock Exchange

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Abstract: This research aims to study the influence of audit rotation, audit tenure, and workload on audit quality. The population of this research are all of the Consumer Goods Sector Manufacturing companies period 2012-2016. Sampling done by using purposive sampling method, and collect 26 companies for use in this research. This research using regression panel method that show the audit rotation, audit tenure, and workload can explain and effect 42,63% of audit quality, while 57,37% of audit quality caused by other factors that out of the model. Based on the results of research can be concluded that audit rotation and audit tenure had positive and significant impact on Audit Quality, that is, by doing audit rotation can improve audit quality and the longer of audit tenure can improve audit quality. Workload had a negative and insignificant relationship to Audit Quality, meaning that the higher the workload pressure, the audit quality will decrease.

## 1 INTRODUCTION

The consumer goods sector company is one of the interesting sectors to invest. The consumer goods sector company is a company that provides goods that are widely used by consumers or the public and is a sector supporting economic growth because the sector is growing quite rapidly even when the monetary crisis occurred the consumer goods sector became one of the economic savior. (Kontan.co.id, 2016). Decision making of investment be able to maximize the investment value flowed by investors can be generated from reading the financial statements.

The financial statement is an important means of assessing the financial position of a company (Hartono and Wahyuni, 2016). The financial statement is useful in making investment business decisions which in turn can maximize the value of investments from investors. To ensure that financial statement is presented fairly, an independent auditor is required. Sussanto *et al.* (2012) stated that auditor plays an important role in bridging the interests of investors as users of the financial statements and companies as providers of the financial statements.

One of the cases that happened to Toshiba in 2015 is one example of companies that manipulate financial statement which involve auditors in the fraud, causing the financial statement is not qualified. The public accounting firm which audit the financial statement of Toshiba was Ernst & Young (EY). EY has been working together to audit for Toshiba for 12 years from 2002 to 2014 was unable to find and report that this company was cheating. Because of that fraud, Japan's financial regulator fined the affiliate Ernst & Young for 2.1 billion yen (\$ 17.4 million) after the agency failed to see the deviation of accounting standards at Toshiba and suspend Ernst & Young in taking a new business contract for three months (Kompas.com, 2016 in Tresnawaty and Kurniasyah, 2018).

The Toshiba case above shows that the length of Ernst & Young's audit impacted the declining audit quality. For 12 consecutive years Toshiba has never rotated the public accounting firm used by the company, resulting in a close relationship between the public accounting firm and its client. The existence of this phenomenon illustrates that there are still many financial statements that are not qualified. Although using the services of the external auditor but the auditor is not able to disclose that

leads to decreased audit quality. The bankruptcy of Enron and major corporations in the United States, which triggered by manipulation of bookkeeping became the turning point for the emergence of stricter regulations on public accounting firms (Irianto, et al. (2014)).

Ishak, Perdanna, and Widjayanto (2015) stated the influence of audit rotation on audit quality give a positive and negative arguments. Audit Rotation aims to increase audit quality, with assumption the longer the relationship between auditor and client will decrease the independency of auditor. O (2015) stated that the audit rotation consists of rotation of a public accounting firm and auditor. Carey and Simnett (2006) research show a significant negative effect between the obligation of audit rotation and audit quality.

Audit rotation can affect audit quality (Isaac, Perdanna and Widjayanto, 2015). The effect of audit rotation on audit quality provides some positive and negative arguments. The former auditor can not provide an understanding of the client to the new auditor, before engaging the audit engagement then the new auditor takes time to understand the client's condition so that auditor rotation can not affect audit quality. Firth, et al (2012) found that in audit rotation regulation is associated with an increased likelihood of modified audit opinion in terms of audit quality. In realizing the users' trust in the financial statement, the company seeks to improve the quality of audited financial statements. Some developed countries like in the EU have implement mandatory rotation of audit firms. The following is also the case with Developing Countries like Indonesia and Malaysia.

The auditor's rotation aims to improve the quality of the audit, assuming that the longer the relationship between the auditor (both the audit partner) and the public accounting firm with the client will reduce the auditor's independence. O (2015) stated that audit rotation consists of rotation of public accounting firm and auditor rotation. Carey and Simnett (2006) reported a significant negative relationship between audit rotation regulation and audit quality.

The length of the engagement between the auditor and the public accounting firm with the client is called audit tenure. Supposedly, the engagement between the auditor and then client can get the optimal audit quality results. In short, the audit tenure makes the auditor's understanding of the company is still not specific. However, over audit tenure can also have an impact on the auditor's

independence and objectivity due to the familiarity between the auditor and the company management.

The negative relationship between audit rotation and audit tenure is supported by research conducted by Davis et al. (2002), Siregar, et al. (2011), Isaac (2015) and Fitriany (2015) which stated that audit tenure and audit rotation had a negative impact on audit quality, and supported by research conducted by Cameran et al (2008) and Isaac (2015) audit rotation had a negative effect on audit quality, as more frequent rotations will result in lower audit quality.

Auditor has a responsibility not only to pay attention to the number of clients, but also need to pay attention to the limited time to complete the audit process. Decree of BAPEPAM No.36/PM/2003 has stipulated the obligation of each issuer to submit audited financial statements at the latest the end of the third month (90 days) after the date of the financial statement. Surely this will be a "busy season" for auditors. According to Lopez and Peters (2012) workload is a "busy season" that occurs at the beginning of the year because most companies have a fiscal year ending in December. Adityasih (2010) argued that the number of clients (audit capacity) handled by the auditor will affect the quality of the resulting audit. The large number of clients raises a high workload for the auditor and may degrade the auditor's ability to discover material faults and report violations in the client's accounting system.

Based on the above descriptions, previous studies and different results of the research, the researcher was interested in conducting research entitled "**The Influence of Audit Rotation, Audit Tenure and Workload on Audit Quality at Consumer Goods Sector Manufacturing Companies listed in Indonesia Stock Exchange**" with the period or year 2012-2016.

## 2 LITERATURE REVIEW

### 2.1 Agency Theory

The agency theory developed by Jensen and Meckling (1976) which explains the conflict of interest between management as the agent and the owner as principal. Colifa and Suryono (2015) stated Agency Theory explains the conflict between managers as agents with agency relationships, when a contract exists between one party, the principals with another, the manager (agent). In contract, manager is bound to provide services to owners/principals. Principals want to know all

information including management activities, related to investment or funds in the company. This is performed by requesting an accountability report on the agent (management). Based on these reports the principal can assess management performance.

Fitriany (2015) stated that there is a motivation of self-interest which in reality manager does not always act as what the owner desires. One of the causes is moral hazard (the manager's desire to act for personal gain). On the other hand, there is an agency problem from the auditor side in which the auditor has an interest in maintaining and improving the audit service revenue by satisfying the client's wishes, especially long-term clients. This is performed in order to ensure the continuity of the audit engagement so that the auditor's earnings are guaranteed. The incentives to work with cheat management come from the economic dependence. Thus, in the economic interest, a long-term audit engagement will lead to closeness and loyalty between the auditor and the client. This reduces the audit objectivity and decreases the auditor's independence and is influencing audit quality.

## 2.2 Resilience Theory

Resilience was first formulated by Block with the name ego-resilience, which is defined as a general ability that involves high and flexible self-adjustment when faced with internal or external pressure (Klohen, 1996). Xianon and Zhang (2007) state that resilience is used to express individual capabilities to survive / survive and be able to be adapted in a state of stress and suffering. The theory of resilience in individuals is defined as the human capacity to deal with, overcome and even change due to traumatic experiences (Schoon, 2006).

Auditors are not only required to work professionally, but also must complete the task according to the exact time. Quality report demand with limited time is a separate pressure for the auditor. Dhermawan and Rasuli (2018) pressure is a challenge that must be faced by an auditor in the form of workload. Hansen et al. (2007) states that the workload is an audit of capacity stress, namely the pressure faced by the auditor in relation to the number of audit clients he handles during a period.

## 2.3 AUDIT QUALITY

Audit quality according to Arens et al (2010) is how well the audit detects and reports material misstatements in the financial statements. De Angelo (1981) defined audit quality as the possibility that an

auditor will find and report an infringement that exists within client's accounting system.

Mgbame et el. (2012) concluded that the higher the quality produced and perceived, the more credible financial statements, thereby increasing the user's confidence in financial statements. Company management also try to served the best for company by choosing an auditor that can reflect the image of a good manager in the viewpoint of investor. So hopefully the investor will invest in the company and will make a good image for the principal, this also supported by the good quality of audit. Audit quality is the negative value of the discretionary accrual value. Discretionary accruals measured using the Kaznik (1999) model is illustrated as follows:

$$DACC_{it} = TACC_{it} - NDACC_{it}$$

Description:

$TACC_{it}$  = total accruals of I Company in t period

$NDACC_{it}$  = non discretionary accruals

## 2.4 Audit Rotation

Irianto (2014) stated that the bankruptcy of Enron and major corporations in the United States caused by manipulation of bookkeeping. This became the turning point for the emergence of more stringent regulations on Public Accounting Firm. One of the phenomenal regulations is the Sarbanes-Oxley Act, which regulates audit rotation.

The inclusion of the regulation requiring audit rotation into the Sarbanes-Oxley Act is the result of the consideration that very long time audit by an independent auditor on one client will have the potential to create a close relationship between the auditor and the management of the audited client, which may negatively impact independence, reliability and quality of the audit so as to contribute to the occurrence of financial scandals in the United States (Irianto et al. (2014)). Audit rotation also have good benefit such as to prevent and increase auditor independency, audit quality, sharing knowledge and profit, and to prevent collusion between auditor and client. Good audit quality reflecting a good financial report.

Siregar *et al.* (2011) analyzed the effect of audit rotation and audit tenure on audit quality and showed that auditor rotation will reduce audit quality. The test results indicated that there need rules to overcome the negative effect of long audit assignment period, but the current audit rotation rules do not seem to be very effective. Fitriany

(2015) proved that in the period before regulation, there was no influence on the period of auditing on audit quality. However, after the regulatory period, the 1st period of audit has a convex relationship with audit quality from a neutral point of view to timeliness. This study also found that in general there was no effect of public accountant rotation with audit quality. Ishak *et al.* (2015) found that audit rotation has a negative effect on audit quality.

Audit rotation refers to research conducted by Siregar (2011). This variable uses dummy variable, where:

1: for the company which perform audit rotation

0: for the company which do not perform audit rotation

## 2.5 Audit Tenure

Tenure is the period of engagement between the auditor and the client regarding audit services as agreed as the term of the auditor's relationship with the client. Mautz and Sharaft (1961) stated in Fitriany (2015) that the length of the relationship between the auditor and then client will affect the auditor's independence because the auditor's objectivity will decrease over time. Munif (2013) in his research argued that Audit Tenure itself is related to several things such as auditor competence, economic incentives, audit quality and auditor independence.

There are two conflicting opinions about the relationship between tenure and audit quality (Fitriany, 2015). The first opinion says that the period of the audit assignment is negatively related to the quality of the audit with the argument that the longer the audit period, the auditor's relationship with the client will be closer so that it will affect the quality of audit (Chi and Huang (2005), Davis et al. (2002), Geiger and Raghunandan (2002)). Al-Thunaebat (2011), Siregar (2011), Mgbame (2012), Blandón and Bosch (2012), found that audit tenure can reduce the audit quality. The second opinion says that the period of the audit assignment is positively correlated with the quality of the audit. In other words, the longer the tenure, the audit quality will increase (Myers et al. (2003)). Audit tenure measured by measurement in the study of Althuneibat et al. (2011) that is:

**TEN =  $\sum$  the number of years a public accounting firm audited the same company**

## 2.6 Workload

Workload is a working condition that can precede and affect work stress levels. Setiawan and Fitriani (2011) stated that the Workload shows how much work faced by an auditor. Pranoto and Retnowati (2015) stated that the workload is an action that aims to determine the amount of time required by employees to complete a job.

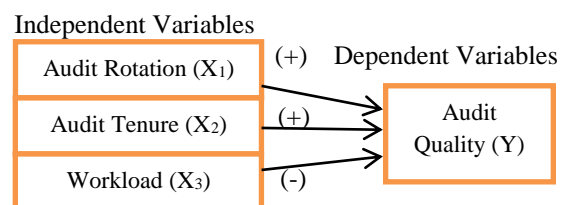
Workload can be seen from the number of clients to be handled by an auditor or the limited time available to carry out the audit process. Workload is termed as an audit capacity stress that is the pressure faced by the auditor in terms of the number of audit clients that must be handled.

Hansen et. al. (2007) analyzed the effect of audit capacity stress on audit quality. The results of the research showed that a high level of audit capacity stress in a public accounting firm can reduce audit quality. Setiawan and Fitriany (2011) also conducted research on the effect of workload on audit quality, where the results showed that the workload had a negative effect on audit quality. The same results were also shown by research conducted by Lopez and Peters (2012), where in the research it was stated that during "busy season" the company relatively reduced audit quality. However, different research results were found in research conducted by Febrian Adhi Pratama Ishak, Halim Dedy Perdana and Anis Widjajanto (2015), which stated that the workload had a positive effect on audit quality. In this case how a public accounting firm maintains its professionalism in conducting audits and improving audit quality issued.

This study follows Hansen et al. (2007), Setiawan and Fitriany (2011) and Ishak et al. (2015) which measured workload based on audit capacity stress with the following formula:

$$W = \frac{\sum \text{number of clients in KAP}_{it}}{\sum \text{number of partners in KAP}_{it}}$$

Based on the theories and previous researches reviewed in this study, then the framework in his research can be described as follows;



### 3 METHODS

In this study the data used was secondary data which is data obtained by Indonesia Stock Exchange (IDX) that can be obtained BEI website that is [www.idx.co.id](http://www.idx.co.id). Secondary data in the form of data Financial Statement and Annual Report of manufacturing company of consumer goods sector. Data of public accountants and registered public accountant offices (active) are obtained from directory IAPI and website of the financial ministry-the center of financial profession development (PPPK).

The population in this study amounted to 36 consumer goods sector manufacturing companies, then sampled as many as 26 companies with a period of 5 years (2012-2016) so as to obtain as many as 130 samples/observations used in research. The criteria in sample selection are as follows:

- Companies were listed in the period 2012-2016.
- Have complete financial statement for overall measurement of variables.
- Use Indonesian Rupiah currency in the financial statement.

Methods of data analysis using descriptive statistics, classical assumption test and hypothesis test that the calculation was performed by using Eviews software. The purpose of this analysis was to know the influence of audit rotation ( $X_1$ ), audit tenure ( $X_2$ ) and workload ( $X_3$ ) on audit quality ( $Y$ ).

Wanner and Pevalin (2005), stated that panel regression is a set of techniques to model the effect of explanatory variables on response variables in panel data. Panel data is data that is the result of observation on several individuals (unit of the cross table) each observed in several consecutive time periods (time unit) (Baltagi, 2005). Panel data was first introduced by Howles in 1950. Panel data is a combination of cross-table data and time series data. The cross-table data is a data consisting of a number of individuals collected at a given time. While time series data is data consisting of one individual but covering some period of time.

Generally using panel data will produce different intercept and slope coefficients on each individual and every time period. Based on the assumption of influence used in panel data regression, the panel data regression model is divided into 3, ie Common Effect model (CEM), Fixed Effect model (FEM), and Random Effect Model (REM). Considering panel data is a combination of cross table data and

time series data, the general form of panel data regression model is as follows:

$$y_{it} = \alpha + \beta X_{it} + \varepsilon_{it}; i = 1, 2, \dots, N; t = 1, 2, \dots, T \dots (1)$$

Description:

- $y_{it}$  = Observation of the panel unit of the cross-table data of the i-th on t-th time
- $\alpha$  = Intercept
- $\beta$  = Slope coefficient for all units
- $X_{it}$  = The independent variable for the i-th cross-table data of time t
- $\varepsilon_{it}$  = Error value in the i-th cross-table data of time t
- $i$  = cross-section unit of N number
- $t$  = number of T time

To choose the most appropriate model which used in processing panel data, there re several tests that can be done such as chow test, hausman test and lagrange multiplier test (LM Test).

### 4 FINDINGS

This research is aims to study the Influence of audit rotation, audit tenure, and workload on audit quality of the Consumer Goods Sector Manufacturing companies that listed in Indonesia Stock Exchange. The data that used in this research is secondary data from financial report of 26 Consumer Goods Sector Manufacturing companies period 2012-2016. Then we doing descriptive analysis and quantitative to test the influence of audit rotation, audit tenure, and workload on audit quality of the Consumer Goods Sector Manufacturing companies.

Based on descriptive analysis on audit quality variable, we can see from 26 companies the maximum value of audit quality is 1,061800 or 106,18% from PT. Wilmar Cahaya Indonesia, Tbk (CEKA) period 2016. The minimum value is -2,477920 or -247,79% from PT. Sekar Bumi, Tbk (SKBM) period 2012. Average value of audit quality variables from sample companies is -0,267782 or -26,77% with 0,532046 or 53,20% standard deviation.

Based on descriptive analysis on audit rotation variable, we can see maximum value audit rotation is 1,000000 from 10 companies who perform audit rotation. Minimum value audit rotation is 0,000000 from 16 companies that did not perform audit rotation in the company. The average value from audit rotation is 0,115385 times with a standard deviation of 0,320721.

Based on descriptive analysis on audit rotation variable, it show that maximum value of audit tenure from population sample companies is 600% or 6,000000. The minimum value is 100% or 1,000000 from 10. The average value from audit tenure is 3,384615 with a standard deviation of 1,567028.

Based on descriptive analysis on audit rotation variable, it show that maximum value of workload is 131,00000. The average value from workload is 61,74755 with a standard deviation of 24,25648.

The CEM model estimation is as follows:

$$AQ = -1.244771 + 0.862735 RA + 0.263616 TEN + \varepsilon \dots\dots\dots (2)$$

Based on the above model equations, it can be seen that the variables which influence audit quality are audit rotation and audit tenure, where the coefficient value of each independent variable is positive, that is 0.862735 for audit rotation coefficient and 0.263616 for audit tenure coefficient.

The FEM estimation is as follows:

$$AQ = -1.226644 + 0.841073 RA + 0.281634 TEN + \varepsilon \dots\dots\dots (3)$$

Based on the above model equations, it can be seen that the variables which influence audit quality are audit rotation and audit tenure, where the positive coefficient value is 0.841073 for audit rotation coefficient and 0.281634 for audit coefficient tenure. This means that if the audit rotation value increases by 1%, then the audit quality will increase by 0.84% and if the audit tenure rises by 1%, then the audit quality value will also rise by 0.281634.

The REM estimation is as follows:

$$AQ = -1,244771 + 0,862735 RA + 0,263616 TEN + \varepsilon \dots\dots\dots (4)$$

Based on the above model equations, it can be seen that the variables which influence audit quality are audit rotation and audit tenure, where the value of positive coefficient. This means that if the audit rotation value increases by 1%, then the audit quality will also increase by 0.86% and if the audit tenure increases by 1% then the audit quality value will also increase by 0.26%.

Based on the chow hausman and LM test, the CEM estimation was chosen. And based on F test obtained p-value which is less than the value of significance level ( $\alpha=0,05$ ). This means independent variables jointly affect the dependent variables. And based on *t test* shows that individually/partially the audit rotation and audit tenure have a significant

effect on audit quality. Workload do not have a effect on audit quality.

From the total observation of the pooled data of 130 that has been estimated, obtained information that jointly the audit rotation, audit tenure and workload variables had a significant influence on audit quality. The evidence can be seen from the f-calculation value of 31.20497 with the probability value f-calculation of 0.0000. Where the value is smaller than the value  $\alpha = 0.05$  (5%)

Coefficient of determination (R<sup>2</sup>) which has a value of 0.426268. The value reflects the squared value of the correlation coefficient R. The magnitude of the coefficient of determination value is equal to 42.6%. This figure explains that the contribution of audit rotation, audit tenure and workload variables in explaining audit quality is only 42.6%, while 57.4% is explained by other variables outside the model.

While the value of adjusted-R<sup>2</sup> is the coefficient of determination (R<sup>2</sup>) that has been correlated with the standard error value with a value of 0.412608. Meanwhile, to determine that the regression model used is valid, it can be seen from the comparison of standard error value (S.E.) of the regression model and the standard value of division response (S.D). The comparison is proved by the value of S.E. 0.407768 is smaller than S.D. 0.532046 which means that the regression model is valid as the predictor model.

Partially indicates that audit rotation variables and audit tenure have a significant influence on audit quality. This is evidenced by the probability value of t-calculation is smaller than the value of  $\alpha$  (significant level) of 0.05 (5%), that is 0.001 < 0.05. Meanwhile, the workload had no impact on audit quality because the probability of t-calculation is greater than the value of  $\alpha = 0.05$ , that is 0.8741 > 0.05.

The general panel data regression model as follows.

$$AQ = -1.244771 + 0.862735 RA + 0.263616 TEN - 0.000240 WL + \varepsilon \dots\dots\dots (5)$$

The above estimation results can be explained that the influence of independent variables of audit rotation, audit tenure and workload to the dependent variable that is audit quality is as follows:

- Audit Rotation (RA)

Statistically dominant influence on independent variables can be proved by looking at coefficient and t-calculation probability values such as audit rotation variables with t-calculation value of 6.420970 and having a positive sign with regression coefficient

value of 0.862735 which means if audit rotation increases of 1% will lead to an audit quality increase of 0.86%, assuming other variables are constant. Audit rotation has a positive effect on audit quality, that is, audit rotation can improve audit quality.

- **Audit Tenure (TEN)**

Audit tenure has t-calculation probability value including audit rotation variable with t-calculation value of 9.509330. The variable also has a positive sign with regression coefficient value of 0.263616 which means if Audit Tenure rises 1% it will cause AQ increase of 0.26%, assuming other variables are constant. Audit Tenure has a positive and significant relationship to Audit Quality, meaning that Audit Tenure will improve audit quality. This is in accordance with research conducted by Fitriany (2015) which also stated that audit tenure had a positive relationship with audit quality.

- **Workload (WL)**

The workload has a negative and insignificant relationship to the Audit Quality with the existing regression coefficient of -0.000240, meaning that if the Workload variable increases by 1% it will decrease the Audit Quality by 0.0002%. The higher the workload pressure, the audit quality will decrease.

### **AUDIT ROTATION (RA) POSITIVELY INFLUENCES AUDIT QUALITY**

The results of hypothesis testing indicate that audit rotation has a significant effect on audit quality with a positive relationship direction. That is, audit quality will increase along with the audit rotation. Audit rotation regulation increases auditor responsibility by providing good capability in limiting earnings management actions carried out by client company management, resulting in high audit quality. Audit rotation is one solution in overcoming the problem of auditor independence because the application of audit rotation is appointed to maintain audit quality because it can avoid a decline in auditor independence.

The results of this study are consistent with the research conducted by Ishak, Perdana and Widjayanto (2015) stating that the regulations regarding auditor rotation aim to improve audit quality, assuming that the longer the relationship between auditors (both audit partners / AP) and the Public Accounting Firm (KAP) with its clients will reduce auditor independence. According to and Firth, et al (2012) Rotation audits can also affect audit quality. This is indicated by the auditor's ability to detect discretionary accruals carried out by

management. Although in reality in this study there are still few companies that routinely conduct audit rotations annually

### **AUDIT TENURE (TEN) POSITIVELY INFLUENCES AUDIT QUALITY**

Agency issues from the auditor's side where the auditor has the interest of maintaining and increasing the income of his audit services by fulfilling the wishes of the audit client, especially long-term clients. A long tenure audit will create closeness and loyalty between the auditor and the client. This will reduce audit objectivity and reduce auditor independence and is feared to affect audit quality.

The results of hypothesis testing indicate that audit tenure has a significant effect on audit quality with a positive relationship direction. That is, the length of the Tenure Audit can improve audit quality. This is in accordance with the research conducted by Myers et al. (2003), Chen et al. (2008) and Fitriany (2015) who also stated that audit tenure has a positive relationship with audit quality, the longer the audit assignment (audit tenure), the better the audit quality. The length of the audit tenure will encourage the creation of business knowledge for an auditor. This knowledge can be used to design effective audit programs and create quality audit reports.

### **WORKLOAD (WL) NEGATIVELY INFLUENCES AUDIT QUALITY**

Resilience theory is defined as the human capacity to deal with, overcome and even change due to traumatic experiences that occur to him. When someone gets a disturbance in life, they overcome their feelings in a healthy way by not feeling depressed, hurt, angry, confused and other traumatic experiences as permanent. They will rise to the many pressures that exist and make it a challenge and then make it an experience to be better.

Auditors are not only required to work professionally, but also must complete the task according to the exact time. Quality report demand with limited time is a separate pressure for the auditor. The auditor must be able to maintain his professionalism in conducting audits so that the audit report issued is of high quality.

The results showed that Workload has a negative and not significant relationship to Audit Quality with an existing regression coefficient of -0,000240, meaning that if the Workload variable increases by

1% it will reduce Audit Quality by 0,0002%. This is consistent with the research conducted by Lopez (2005), Hansen et al. (2007), Setiawan and Fitriany (2011), Lopez and Petters (2012) and Persellin, Schmidt and Wilkins (2014) found that the audit process carried out when there is a workload pressure will result in lower audit quality compared to when there is no workload pressure. Overlapping audit assignments will create a separate workload for the auditor.

## 5 CONCLUSION

Based on the results of research can be concluded that audit rotation and audit tenure had positive and significant impact on Audit Quality, that is, by doing audit rotation can improve audit quality and the longer of audit tenure can improve audit quality.

Workload had a negative and insignificant relationship to Audit Quality, meaning that the higher the workload pressure, the audit quality will decrease.

## LIMITATION AND SUGGESTION

For company, Companies should routinely perform audit rotation. This is because in accordance with the results of research conducted that with the audit rotation it will be able to improve the audit quality. Companies should follow the regulations issued on the limitation of audit tenure, that is for 6 consecutive years in accordance with the PMK No. 17 of 2008.

For further research, Subsequent research is expected to add other research variables beyond audit Rotation, Audit Tenure and Workload that can influence the Audit quality. Subsequent research may also use samples on other types of companies with different periods.

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