The Effect of Audit Fees, Audit Tenure, and Audit Rotation on Audit Quality in Manufacturing Companies in the Consumer Goods Industry Sector Listed on the IDX 2015 - 2018

1stAyu Riyani, 2stBayu Pratama
Accounting
Indonesian College of Economics, Jakarta,
Indonesia
ayu.riyani27@gmail.com, bayu_pratama@stei.ac.id

Abstract-*This study aims to test whether audit fees, audit tenure, and audit rotation have an effect on audit quality in manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange (IDX).*

This type of research uses a descriptive quantitative approach, which is measured using the multiple linear regression method with eviews 10. The population of this study is the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) from 2015 to 2018. The sample is determined based on the purposive method. sampling, with a sample size of 29 companies from the consumer goods industry sector so that the total observations in this study were 116 observations. The data used in this study are secondary data. The data collection technique uses the documentation method via the IDX official website:www.idx.co.idand the official website of their respective companies. Hypothesis testing using the F test, T test and the coefficient of determination test.

The results of this study prove that (1) audit fees have a significant effect on audit quality, (2) audit tenure has no significant effect on audit quality, and (3) audit rotation has no significant effect on audit quality, (5) audit, audit tenure audit, audit rotation have a significant effect on audit quality in Indonesia in the financial sector listed on the Indonesia Stock Exchange (BEI) for the 2015-2018 period.

Keywords**:** *audit fees, audit tenure, audit rotation, and audit quality*

I. PRELIMINARY

In today's fast-paced economy, companies need to provide quality financial statements in order to compete both on a multinational and international scale. The presentation of quality financial statements can be used by internal parties as a means of consideration in making decisions in the short and long term. Whereas for external parties (investors, creditors, society, government, etc.) the presentation of quality financial reports can be used as a tool to assess the company's financial condition and can be used as a benchmark for external parties in investing or providing loans to the company.

According to the Indonesian Institute of Certified Public Accountants (IAPI) in Financial Accounting Standards (SAK) as of January 1, 2017, financial statements must have characteristics in the form of understandability, relevance (truth), reliability, and comparability. However, to

measure and assess financial statements that meet the characteristics set by IAPI, a third party who is considered capable of conducting the assessment is required. Third parties are independent auditors, they are responsible for planning and conducting audits so as to obtain sufficient assurance that the audited financial statements are of good quality and free from material misstatement, whether intentional or unintentional.

Quality audit is a systematic and independent examination to determine whether the quality of activities and the achievement of results is in accordance with the plan that has been designed and can be carried out effectively in achieving objectives. (Bastian, 2014). The audit process is designed to determine whether the numbers reported in the financial statements are relatively reasonable, so that audit quality is very important in maintaining the integrity of financial reporting. Audit quality is very important in maintaining the integrity of financial reporting. The higher the quality of the audit, it can increase the trust of users of financial statements (Kurniasih, 2014)

In 2017 there was a major case experienced by British Telecom and KAP PwC and the second case experienced by KAP partners Ernst and Young (EY) who became the public spotlight, where some of these cases were carried out by independent auditors who made public trust in the quality of the audit carried out independent auditors decreased. The case that occurred in the second quarter of 2017, British Telecom and KAP PwC. The British multinational company experienced accounting fraud that occurred in one of its business lines in Italy, PwC's relationship with British Telecom has been going on for a very long time, namely 33 years since British Telecom was privatized 33 years ago. British Telecom's Board of Directors is dissatisfied with PwC's failure to detect accounting fraud in Italy This accounting fraud failed to be detected by PwC. In fact, the whistleblower successfully detected fraud, which was followed by forensic accounting by KPMG. This fraudulent practice has occurred since 2013, namely by increasing the company's income through contract extensions, invoices and fake transactions with vendors. British Telecom had to lower GBP530 million and cut its 2017 cash flow projection by GBP 500 million to pay hidden (unreported) debts and incur a loss to pay income tax on profits that did not exist. (investing.com, 2017). British Telecom had to lower GBP530 million and cut its 2017 cash flow projection by GBP 500 million to pay hidden (unreported) debts and incur a loss to pay income tax on profits that did not exist. (investing.com, 2017). British Telecom had to lower GBP530 million and cut its 2017 cash flow projection by GBP 500 million to pay hidden (unreported) debts and incur a loss to pay income tax on profits that did not exist. (investing.com, 2017).

The second case was in early 2017 involving KAP Ernst and Young (EY) partners in Indonesia, namely KAP Purwantono, Suherman, and Surja. This case started when EY's partner accounting firm in the United States conducted a study on the results of an audit of an accounting firm in Indonesia. They found that the results of the audit of the telecommunications company were not supported by accurate data, namely in the case of renting more than 4 thousand cellular tower units, according to the Public Accounting Oversight Board or PCAOB. without exception, which is based on insufficient evidence ". (business.tempo.co, 2017)

Many factors that can affect audit quality are beyond the auditor's authority, both from within an internal auditor and outside the auditor's person. This study focuses on external factors that affect audit quality, namely audit fees, audit tenure, and audit rotation as independent variables in this study, and audit quality in manufacturing companies in the consumer goods industry sector as the dependent variable.

Based on the explanation on the research background, the problem formulations in this study are: (1) Is there an effect of audit fees on audit quality in manufacturing companies in the consumer goods industry sector? (2) Is there an effect of audit tenure on audit quality in manufacturing companies in the consumer goods industry sector? (3) Is there an effect of audit rotation on audit quality in manufacturing companies in the consumer goods industry sector (4) Is there an effect of audit fees, audit tenure, and audit rotation simultaneously on companies in the consumer goods industry sector?

II. THEORETICAL BASIS

2.1 Research Review

Research by Nida Rinanda and Annisa Nurbaiti, SE, M.Si (2018) conducted a study in which the sample selection technique used was purposive sampling and obtained 25 companies with the study period in 2012-2016. The data analysis method in this research is logistic regression analysis using SPSS version 24. The results show that simultaneously audit tenure, audit fees, public accounting firm size and auditor specialization have a positive effect on audit quality. While partially audit tenure and audit fees have no effect on audit quality, public accounting firm size and auditor specialization have a positive effect on audit quality.

Ahmad Buchori and Harry Budiantoro (2019) also conducted a study where the method of determining the sample in this study used purposive sampling, the total sample was 40 companies. The method of data analysis in this study used multiple linear regression. The results of this study indicate that company size has a positive effect on audit quality, audit tenure has a negative effect on audit quality, and specialization has a positive effect on audit quality. Taken together, company size, audit tenure, and auditor specialization affect audit quality.

Research conducted by Andreas Berikang, Lintje Kalangi, and Heince Wokas (2018). The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2012-2015. The sampling method used in this study was purposive sampling method. This study used logistic regression analysis using SPSS 22 version. The results showed that: (1) the size of the firm's client had a significant effect on audit quality, (2) audit rotation had no effect on audit quality.

Research was also conducted by Rizki Wahyu Wulan Lutfi Yanti, Sochib, and Pinerdi Witjaksono (2018). Sources and types of data used in this study are secondary data obtained through the Indonesia Stock Exchange website http // www.idx.co.id. The research method used in this research is descriptive statistical analysis and logistic regression statistical analysis. The results and discussion of this study indicate that the audit fee variable has an effect on audit quality, audit tenure has a negative effect on audit quality, and auditor reputation has no effect on audit quality.

In research conducted by I Gusti Ngurah Indra Pramaswaradana and Ida Bagus Putra Astika (2017). The method of determining the sample using purposive sampling method in order to obtain 67 sample companies. The data collection method uses the non-participant observation method by downloading data from the official website of the Indonesian stock exchange. Data analysis used logistic regression techniques. The results of hypothesis testing are that audit tenure has a negative effect on audit quality, audit fees have a positive effect on audit quality, while rotation, specialization, and age have no effect on audit quality.

Previous research conducted by Listya Yuniastuti Rahmina, and Sukrisno Agoes (2014). This study uses primary data collected through distributing questionnaires in audit companies registered at the Capital Market Accountants Forum (FAPM) in Indonesia. The study population was senior auditors, supervisors, managers, and partner positions and worked for members of the FAPM audit firm. The results of this study indicate that in general auditor independence, audit tenure, and audit fees have a positive effect on audit quality. Test results

The coefficient of determination of 21.4% indicates that audit quality can be explained by variations in auditor independence, audit tenure, and audit fees, while the remaining 78.6% is explained by other variables not used in this study, such as auditor size, auditor industry specialization. , and audit risk. To improve audit quality, the Indonesian Institute of Certified Public Accountants (IAPI) should establish an Independent Audit Review Board and the recent mandatory rotation of audit partners and public accounting firms must follow The International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants as revised in July 2009, which requires a rotation of audit partners every seven years for public interest entities.

Subsequent research was also carried out by Belén González-Díaz, Roberto García-Fernández, and Antonio López-Díaz (2015). Using a sample of 254 audits conducted between 2003 and 2010 of the foundations of the Spanish state, we find that, although the quality of the foundation's audits decreases as tenure increases, this loss of quality does not become apparent until the sixth year of the foundation-auditor relationship, after five years. the beginning of quality improvement. Empirical evidence is important for regulators and users of financial reports, given that it points to the need to introduce tenure reduction measures, which at the same time ensure a minimum holding period.

The latest research conducted by Abdul Halim, Sutrisno T, Rosidi, and M. Achsin (2014). The

analysis unit of this research was 918 public accountants in Indonesia in 2012. Data were collected by sending a questionnaire. A sample of 278 was randomly selected. However, the data collected is 178 data. The analytical technique used is Partial Least Square (PLS). The test results prove that first, auditor competence and independence have a positive effect on audit quality. This means that the higher the competence and independence of the auditors, the higher the audit quality. Second, the audit time budget weakens the influence of the competence and independence of auditors on audit quality. This means that the smaller the audit time budget, the greater the influence of auditor competence and independence on audit quality. Third, Professional commitment strengthens the influence of auditor competence and independence on audit quality. This means stronger professional commitment. hence, the higher the impact of auditor competence and independence on audit quality.

2.2 Audit Quality

According to Alvin A. Arens, Randal J. Elder, Mark S. Beasley which is translated by Amir Abadi Jusuf (2011: 47), the definition of audit quality is:

"A process to ensure that generally accepted auditing standards are followed in every audit, KAP follows special audit quality control procedures that help meet these standards consistently in each of its assignments".

Meanwhile, the definition of Audit Quality according to Mulyadi (2014: 43) (2014: 9) is a systematic process to obtain and evaluate evidence objectively regarding statements about economic activities and events, with the aim of determining the level of conformity between these statements and criteria. which has been determined and the delivery of results to interested users.

2.3 *Fee* Audit (Audit Fee)

Gammal (2012) in Margi Kurniasih (2014) defines "audit fees as the amount of fees (wages) charged by auditors for the audit process on companies (auditee)". With the existence of audit fees or audit fees, an auditor will be motivated to carry out an audit, so that the resulting audit will be of high quality.

According to Sukrisno Agoes (2013: 46) defines audit fees as follows:

"The amount of the fee depends on, among others, the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out these services, the cost structure of the KAP concerned and other professional considerations".

2.4 Audit Tenure (Auditor-Client Engagement Period)

Audit tenure is the audit engagement period between KAP and the client related to audit services that have been agreed upon in advance. Tenure becomes a debate when the tenure audit period is short and the tenure audit period is long. Tenure is related to the firm's audit factors and audit partner factors. Audit tenure is the length of consecutive auditor engagement periods with clients related to the audit service agreement provided (Prasetya and Rozali, 2016). Hamid (2013) argues that with a short tenure period, when the auditor gets a new client, it requires additional time for the auditor to understand the client and the business environment.

2.5 Audit Rotation

According to Wahono (2014). Auditor rotation and KAP rotation are changes or changes in auditor or KAP that occur in client companies. Meanwhile, the definition of auditor rotation according to Fierdha et al. (2015) is a change in public accountants where public accountants in Indonesia can only audit company financial reports for a maximum of three consecutive years.

The application of rotation is in accordance with the Decree of the Minister of Finance of the Republic of Indonesia on Public Accountant Services (Minister of Finance Decree N.433 / KMK.06 / 2002) which was adopted from the sarbanes-oxley act 2002. Where the decision contains the rotation of partner auditors for three years and auditor rotation for five years. Then on February 5, 2008 this decision was revised by Article 3 / KMK.01 / 2008 which is still valid today regarding the provision of general audit services for the financial statements of one entity by KAP for a maximum of six consecutive financial years (Fierdha, 2015).

2.6 Relationship Between Research Variables

2.6.1. *Fee* Audit Affects Audit Quality

*Fee*audit is one of the factors that can affect audit quality. The determination of the audit fee is no less important in the acceptance of the assignment, the auditors certainly work to earn adequate income. Therefore, the determination of the audit fee needs to be agreed between the client and the auditor so that there is no tariff war that can damage the credibility of public accountants. The tariff war means dropping KAP from one another in order to lure clients to use the KAP (Gilang, 2014)

According to (Agoes, 2017) the amount of costs depends on, among others, the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out these services, the cost structure of the KAP concerned and other professional considerations.

*Fee*The audit has an influence on the quality of the audit produced by an auditor on the company's financial statements. The greater the difficulty level of the audit, the higher the fees charged. (Yahya, 2016) argues that the amount of the audit fee is not fixed, the auditor who is paid an irregular fee will certainly affect his performance in conducting the audit. The audit fees that the auditors receive from one another are not necessarily the same because they depend on the complexity of the task, the risks and the level of task completion they face when conducting the audit engagement.

H_1: Audit Fee Affects Audit Quality.

2.6.2. Audit Tenure Affects Audit Quality

Audit tenure is the time period for the engagement that occurs between the auditor and the company being audited (auditee). The engagement period that is too long can create a special relationship between the auditor and the client that can affect the quality of the auditor. (Junaedi & Nurdiono, 2016) tenure audit (KAP) shows the length of the relationship between the auditor and the client. Long audit tenure can increase auditor competence. The auditor can base his audit decisions on a broad knowledge of the client, which has evolved over time.

The concept of audit quality states that in order to achieve a quality audit, auditors must have competence and independence. Independence has a very important role in determining the quality of the audit carried out because independence is related to the ability to act objectively (impartially) and with full integrity. An independent attitude will cause the client's opinion on financial statements to be free from the element of bias. However, to have an independent auditor attitude will be influenced by various factors, one of which is the length of the audit engagement (tenure) between the auditor and a client company (Qodriyah, 2016). So an audit is said to be of quality if the auditor can act objectively (impartially), honestly, and with full integrity in its implementation.

Audit tenure is one of the factors that can affect audit quality, because it can reduce the independence of auditors in the audit process. With a short audit tenure, the resulting audit quality is quite good, but a long audit period can also result in a special relationship that exists between the auditor and the client company which can reduce auditor independence and can affect the quality and results of the auditor.

H_2: audit tenure affects the quality of auditors

2.6.3. Audit Rotation Affects Audit Quality

The relationship that exists between audit rotation and audit quality is that audit rotation will improve audit quality, because periodic audit rotation can maintain auditor independence, making it difficult to be influenced or pressured by management.

Research conducted by Kurniasih (2014) proves that the audit rotation variable has a significant effect on audit quality. Research conducted by Yahya (2015) shows that the audit quality variable has a significant effect on audit quality.

H_3: Audit Rotation Affects Audit Quality

2.7 Hypothesis Development

Based on the theoretical basis presented, the hypotheses in this study are:

- H_1: Audit fees have an effect on audit quality in consumer goods industrial manufacturing companies listed on the IDX in 2015-2018.
- H_2: Audit tenure affects audit quality in manufacturing companies in sector industrial consumer goods listed on the IDX in 2015-2018.
- H_3: Audit rotation affects audit quality in manufacturing companies in the consumer goods industry sector listed on the IDX in 2015-2018.

- H_4: Audit fees, audit tenure, and audit rotation simultaneously affect the consumer goods industry sector companies on the IDX in 2015-2018.

2.8 Research Conceptual Framework

Systematically, the conceptual framework of thinking based on the theoretical basis above can be seen as follows:

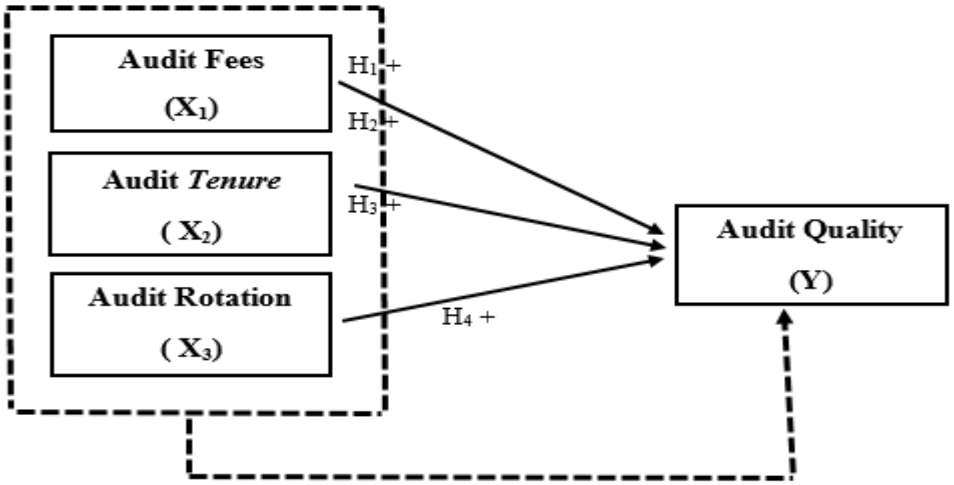

Figure 2. 1. Research Conceptual Framework

Information :

→ : The effect of each independent variable on Audit Quality.

⇢ : Effect of independent variables sconsultants on Audit Quality.

III. RESEARCH METHODS

3.1. Research Strategy

According to Sugiyono (2018: 2) what is meant by research methods is a research method that is basically a scientific way to get data with specific purposes and uses.

Research through quantitative research methods with a descriptive research approach aims to describe or explain events or incidents that occur using numbers and to prove how much influence audit fees, audit tenure, audit rotation and audit rotation have on audit quality.

3.2. Research population

The population in this study is the consumer goods industry sector which is listed on the Indonesia Stock Exchange in the 2015-2018 period and has a total population of 58 companies. The reason the researchers chose the consumer goods industry sector is because the consumer goods sector company is a stable company and has no influence on economic conditions. This is because manufacturing companies in the consumer goods sector are directly felt and connected by all levels of society, both for the lower, middle and upper classes. In addition, consumer goods industry companies have shares that are actively traded on the stock exchange so that their share prices are also actively moving.

3.3. Research Samples

The sampling method in this study uses non-probability sampling with purposive sampling technique.

The research sample used in the study must have the following criteria:

1. It is a consumer goods industry sector listed on the Indonesia Stock Exchange (IDX).
2. It is a consumer goods industry sector that consistently publishes fully audited financial reports for the 2015-2018 period.
3. It is a consumer goods industry sector that presents financial reports in rupiah currency.
4. It is a consumer goods industry sector that provides audit service fees for the 2015-2018 period.

Based on these criteria, the number of samples of companies that meet the following criteria:

Table 3.1. Number of Research Samples

No.	Criteria	Number of Companies
1.	The consumer goods industry sector listed on the Indonesia Stock Exchange.	58
2.	The consumer goods industry sector did not publish complete financial reports during the 2015-2018 period.	(20)
3.	The consumer goods industry sector does not present financial reports in rupiah currency.	(2)
4.	Consumer goods industry sector that does not provide audit service fees during the 2015-2018 period.	(7)
Number of sample companies		**29**
Research year		**4**
The number of sample companies during the study year		**116**

Source: Data processed by researchers and attached

3.4. Research data

The data used in this research is secondary data. Several sources of secondary data taken include case studies, company documents, and audited consumer goods sector financial reports that have been listed on the Indonesia Stock Exchange (2015-2018), sourced from the official website of the Indonesia Stock Exchange www.idx.co .id and their respective companies.

3.5. Method of collecting data

In this study, the data collection techniques used were:

1. Library Studies (*Library Research*)
   In this library study the writer collects and studies various basic theories and concepts related to the problem under study. The authors obtain the basic theories and concepts by examining various sources such as books, journals and relevant reading materials.
2. Internet Research (*Online research*)
   Data collection techniques that come from sites or websites that are related to various information needed in research.
3. Documentation
   Documentation is data collection by recording, quoting from journals and downloading audited consumer goods sector financial report data and has been listed on the Indonesia Stock Exchange for the 2015-2018 period sourced from the official website of the Indonesia Stock Exchange, namely www.idx.co. en and their respective companies.

3.6. Operational Variables

In this study using two variables, namely the independent variable (independent variable) and the dependent variable (dependent variable). The following is a description of the measurements of each variable that will be examined in this study.

Table 3.3. Operational Variables

Variable	Variable Concept	Indicator	Scale
Independent Variable			
***Fee* Audit (X1)**	*fee* audit is how much reward the auditor receives from his client. (Maharani, 2014)	Natural logarithm of data for professional fees.	Nominal
Tenure Audit	The period of the engagement that the auditor entered into from a public	The number of years of engagement	Interval

(X2)	accounting firm with the same company is called the audit tenure respectively (Nyoman and Werastuti, 2013).	between the sample companies and the auditor.	
Audi rotation (X3)	Audit rotation is a change in the structure of the auditors who have audited their clients (Gultom and Fitriani, 2013).	The dummy variable is the value 1 if there is auditor rotation, while the value is 0 if there is no auditor rotation	Nominal
Dependent Variable			
Audit Quality (Y)	Audit quality is a systematic process to obtain and evaluate evidence objectively about statements about economic activities and events, with the aim of determining the level of conformity between these statements and predetermined criteria and delivering the results to interested users. (Mulyadi, 2014: 43, 2014: 9)	Dummy variable, 1 for KAP that is included in Big 4, and 0 for KAP which is non Big 4	Interval

3.7. Data analysis method

According to Sugiyono (2017: 147), technical data analysis is an activity after data from all respondents or other data sources are collected. Activities in data analysis are grouping data based on variables and types of respondents, tabulating data based on variables from all respondents, presenting data for each variable studied, performing calculations to answer problem formulations, and performing calculations to test hypotheses that have been proposed. In this study, to analyze and test hypotheses, it is assisted by using the software Eviews version 10.

IV. RESULTS AND DISCUSSION

4.1. Descriptive Statistical Analysis Test Results

The dependent variable in this study consists of one variable, namely Y = KA (Audit Quality). And the independent variable consists of four variables X1 = FA (Audit Fee), X2 = AT (Audit Tenure), and X3 = RA (Audit Rotation). In this study, there were 116 samples from 29 companies.
The following are the results of descriptive statistical tests:

	Mean	***Median***	***Maximum***	***Minimum***	***Std. Dev.***	***Observations***
KA	0.465517	0.000000	1,000000	0.000000	0.500974	116
FA	22,47435	22,37120	26.07383	18.78776	1.963199	116
AT	2.181034	2.000000	4,000,000	1,000000	1.108066	116
RA	0.137931	0.000000	1,000000	0.000000	0.346324	116

Source: The data is processed by the author through Eviews version 10

Based on table 4.3. above, it is obtained from the results of the descriptive statistical test calculations, which are as follows:

4.1.1. Audit Quality (Y)

The Audit Quality Variable (KA) obtained a minimum value of 0.000000, a maximum value of 1.000000, and a mean value of 0.465517, while the standard deviation obtained by the KA variable was 0.500974, where the value was greater than the mean (average) obtained, it can be said that this study has uniform or non-varied data.

4.1.2. Audit Fee (X1)

The Audit Fee (FA) variable obtained a minimum value of 18.78776, a maximum value of 26.07383, and a mean (average) value of 22.47435. Meanwhile, the standard deviation value obtained by the FA variable is 1.963199, where the value is smaller than the mean (average) value obtained, it

can be said that this study has varied data.

4.1.3. Audit Tenure (X2)

The Audit Tenure (AT) variable obtains a minimum value of 1.000000, a maximum value of 4.000000, and a mean (average) value of 2.181034, while the standard deviation value obtained by the variable is 1.108066, where the value is smaller than the mean (average)) obtained, it can be said that this study has varied data.

4.1.4. Audit Rotation (X3)

The audit rotation variable (RA) obtained a minimum value of 0.000000, a maximum value of 1.000000, and a mean (average) value of 0.137931, while the standard deviation obtained by the RA variable was 0.346324, where the value was greater than the mean (average) average) obtained, it can be said that this study has uniform or non-varied data.

4.2. Classic assumption test

4.2.1. Normality Test Results

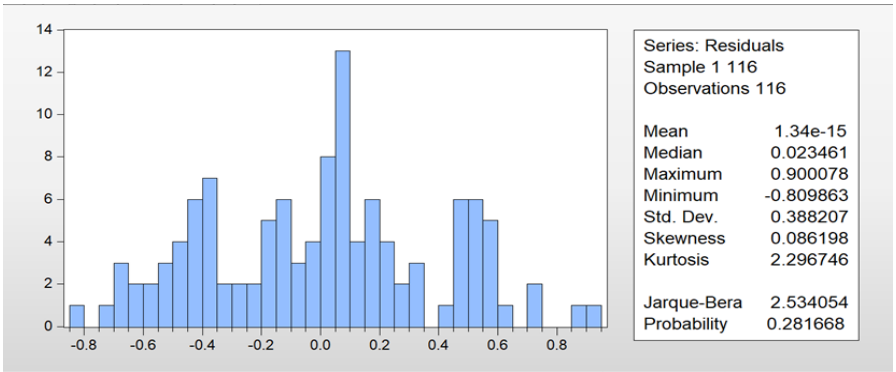

Figure 4.1. Normality Test Results

Source: Data processed with Eviews version 10

Interpretation of figure 4.1. above, it can be seen that it is normally distributed or not by looking at the value of the probability of JB (Jarque-Bera) with alpha 5% (0.05). If the Jarque-Bera probability is greater than 5% then the data is normally distributed and vice versa, if the Jarcue-Bera probability value is smaller than 5% (0.05) then the data is not normally distributed.

According to the results of the above research, the probability value of Jarque-Bera is 0.281668> 0.05. Then the data is normally distributed, which means that the classic assumption testing in the regression model has met the normality assumption.

4.2.2. Multicollinearity Test Results

Table 4.7. Multicollinearity Test Results

	FA	AT	RA
FA	1,000000	0.148852	-0.216335
AT	0.148852	1,000000	-0.428190
RA	-0.216335	-0.428190	1,000000

Source: The data is processed by the author through Eviews version 10

Based on table 4.9. above, the test results indicate that the correlation coefficient between the independent variables is less than 0.10 or none exceeds 0.10. These results are in accordance with the test criteria, that the results of the multicollinearity test have no correlation coefficient between variables that exceeds 0.10. So it can be concluded that the data of this study do not have multicollinearity problems in the three independent variables.

4.2.3. Heteroscedasticity Test Results

Table 4.8. Heteroscedasticity Test Results

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob*
C	0.452348	0.252086	1.794420	0.0754
FA	-0.003631	0.011008	-0.329842	0.7421
AT	-0.017312	0.021071	-0.821599	0.4131
RA	-0.141101	0.068282	-2.066456	0.0411

Data sources are processed with Eviews version 10

Based on table 4.10. above produces a probability value of each variable where the two independent variables FA (Audit Fee) and AT (Audit Tenure) are> 0.05, while one independent variable RA (Audit Rotation) is <0.05, so it can be said that 2 variables (FA and AT) are free from heteroscedasticity problems, while 1 variable (RA) is not free from heteroscedasticity problems.

4.2.4. Multiple Linear Regression Analysis Test Results

Table 4. 9. Multiple Linear Regression Analysis Test Results

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	-3.022451	0.439160	-6.882349	0.0000
FA	0.152384	0.019177	7.946181	0.0000
AT	0.034575	0.036707	0.941908	0.3483
RA	-0.088259	0.118954	-0.741956	0.4597
R-squared	0.399523	***Mean dependent var.***		0.465517
Adjusted R-squared	0.383439	***SD dependent var.***		0.500974
SE of regression	0.393371	***Akaike info criterion***		1.005749
Sum squared resid	17.33100	***Schwarz criterion***		1.100 700
Log likelihood	-54.33344	***Hannan-Quinn criter.***		1.044294
F-statistic	24.83951	***Durbin-Watson stat***		0.662780
Prob (F-statistic)	0.000000			

Source: Data processed using Eviews version 10

Based on the test results shown in table 4.11. above, the multiple linear regression equation is as follows:

KA = -3.022451 + 0.152384.FA + 0.034575.AT + -0.088259.RA + ε

4.3. Hypothesis Test Results

4.3.1. F Test Results

Table 4. 10. F Test Results

F-statistic	24.83951	***Durbin-Watson stat***	0.662780
Prob (F-statistic)	0.000000		

Source: The data is processed by the author through Eviews version 10

Based on table 4.12. The above shows that the F-Statistic value is 24.83951 with a p-value of 0.000000 where <0.05 or the critical research limit, so it can be concluded that the audit fee, audit tenure, and audit rotation variables have a simultaneous influence on audit quality.

4.3.2. T Test Results

Table 4. 11. T Test Results

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	-3.022451	0.439160	-6.882349	0.0000
FA	0.152384	0.019177	7.946181	0.0000
AT	0.034575	0.036707	0.941908	0.3483
RA	-0.088259	0.118954	-0.741956	0.4597

Source: The data is processed by the author through Eviews version 10

Based on table 4.13. above, it can be concluded that the effect of each independent variable on the dependent variable. The following is an explanation of testing these variables:

1. ***Fee* Audit (FA)**
   The test results obtained a significant value of 0.0000 <0.05, meaning that the independent significant value is smaller than the alpha value, then H1 is accepted, so the audit fee variable has a significant effect on audit quality.

2. **Audit Tenure (AT)**
   The test results obtained a significant value of 0.3483> 0.05, meaning that the independent significant value is greater than the alpha value, then H2 is rejected, so the audit tenure variable has no effect on audit quality.

3. **Audit Rotation (RA)**
   The test results obtained a significant value of 0.4597> 0.05, meaning that the independent significant value is greater than alpha, so H3 is rejected, so the rotation variable has no effect on audit quality.

4.3.1. Determination Coefficient Test Results

Table 4. 12. Determination Coefficient Test Results

R-squared	0.399523	***Mean dependent var***	0.465517
Adjusted R-squared	0.383439	***SD dependent var***	0.500974

Source: The data is processed by the author through Eviews version 10

Based on table 4.14. above shows that the Adjusted R-squared value is 0.399523. The results show that the variable audit fee, audit tenure, and audit rotation can explain the audit quality variable by 39.9%, and the remaining 60.1% is influenced by factors outside the research model.

4.3. Discussion of Research Results

This study aims to examine or determine the effect of audit fees, audit tenure, audit rotation and audit reputation on audit quality in the consumer goods industry sector listed on the Indonesia Stock Exchange in the 2015-2018 period. The following is a discussion of the research results:

1. The effect of audit fees on audit quality in the consumer goods industry sector listed on the Indonesia Stock Exchange in the 2015-2018 period.
   Based on the results of tests conducted by researchers, it is proven that audit fees have a significant effect on audit quality. This is evidenced by the probability value of the audit fee variable of 0.0002 which is smaller than the significant level of ($\alpha = 0.05$), these results indicate that partially audit fees have an effect on audit quality, thus the hypothesis that audit fees affects audit quality must be accepted.

   These results support the research that has been conducted by Onaolapo Adekunle Abdul-Rohman, Ajub Olajide Benjamin, and Onifade Hakeem Olayunka (2017), Dede Sutani and Siti Khairani (2017), I Gusti Ayu Rahma Pramesti and I Dewa Nyoman Wiratmaja (2019), Vitras Mustaqim (2017), Anastasia Angesti Nurintiati and Agus Purwanto (2017), Muhammad Kafabih Agustinus Santosa Adiwibowo (2017) and Ma'rifatumbillah and Kharis Raharjo Rita Andini (2016) which prove empirically that audit fees have a positive effect on audit quality. So, the

higher the audit fees paid by the company to the auditors, the more quality the resulting audit will be, because receiving high audit fees requires auditors to further improve the quality of their audits.

Meanwhile, the conflicting results are Neni Meidawati and Arden Assidiqi (2019) and Ridor Dhimadhanu (2016) which state that audit fees have a negative effect on audit quality.

Based on audit fee data in the company's annual financial statements, it is known that the amount of audit fees each year is relatively high and varied. This, identifies that a high enough audit fee can improve the quality of the audit produced by the external auditor, because with a high audit fee the auditor can improve the quality of the audit more competently so that any possible irregularities can be detected. So it can be concluded that high audit fees have a positive and significant effect on audit quality.

2. Effect of the audit *tenure* on audit quality in the consumer goods industry sector listed on the Indonesia Stock Exchange in the 2015-2018 period.

Based on the test results that have been conducted by researchers, it is proven that audit tenure has no significant effect on audit quality, this is evidenced by the probability value of the audit tenure variable of 0.4954 which is greater than the significant level of ($\alpha = 0.05$), these results indicate that partially audit tenure has no significant effect on audit quality. Thus the hypothesis which states that audit tenure has an effect on audit quality must be rejected.

This shows that the longer the engagement period that exists between KAP and the client company, tends to result in the resulting audit quality that is not objective or in other words does not vary. In accordance with the statement that has been stated by Althuneibat et al. (2011) in Yanti et al. (2018) stated that the long relationship between KAP and clients has the potential to cause closeness between them. This can hinder auditor independence and reduce audit quality.

In the company tenure audit data every year it is known that the tenure between the company and the same KAP for ≥ 4 years is greater than the engagement period between the company and the same KAP <4 years. This data shows that the engagement period ≥ 4 years has a negative effect on audit quality. So, the engagement period is too long can lead to decreased auditor independence in auditing client financial statements.

3. The effect of audit rotation on audit quality in the consumer goods industry sector listed on the Indonesia Stock Exchange in the 2015-2018 period.

Based on the test results that have been conducted by the researcher, it proves that audit rotation has no significant effect on audit quality, this is evidenced by the probability value of the audit rotation variable of 0.4094 which is greater than the significant level of ($\alpha = 0.05$), these results indicate that partially Audit rotation has no significant effect on audit quality. Thus the hypothesis which states that audit rotation affects audit quality must be rejected.

These results support the research conducted by Ninik Andriani and Nursiam (2017), Siska Nurhayati and Sawitri Dwi P (2019), Andreas Berikang, Lintje Kalangi, and Heinie Wokas (2018), Andre Yahya (2016), Fitriany, Sidharta Utama, Dwi Martani and Hilda Rosietta (2015), and Clinton Marshal Panjaitan and Anis Chariri (2014), who prove empirically that audit rotation has no effect on audit quality. Meanwhile, according to Margi Kurniasih and Abdul Rohman (2014), Nurul Fitria Nadia (2015) and Desy Prida Priyanti (2018) stated that audit rotation has a positive effect on audit quality, so that the more often a company changes KAP, the audit quality will decrease, so that there is The policy regarding the KAP tenure of no longer than 6 consecutive financial years is deemed sufficient to increase the quality of audits within the company. Companies with high KAP rotation rates have high total accruals, this is in accordance with audit standards related to the expertise of a KAP in auditing a company, The longer the KAP audits a company, the more it recognizes the business risks and internal control of the company, the length of the KAP engagement period encourages the creation of business knowledge for KAP, this knowledge can be used to design an effective audit program and create high-quality financial reports. Regulation of the Minister of Finance Number 17 / PMK.01 / 2008 in article 3 paragraph (1) was made to limit the emotional relationship and other interests between KAP and its clients, so there is time for the KAP engagement period for 6 consecutive financial years. Companies that frequently replace KAP will have reduced audit quality because the new KAP must adapt again

in recognizing the company's business risks and internal control.

V. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusion

This study aims to examine the effect of audit fees, audit tenure, audit rotation, and audit reputation on audit quality in the consumer goods industry sector on the Indonesia Stock Exchange for the period 2015-2018.

Based on the results of the analysis that has been carried out, the following conclusions can be drawn:

1. Audit fees have a significant effect on audit quality in the consumer goods industry sector on the Indonesia Stock Exchange for the period 2015-2018. This indicates that the higher the audit fees paid by the company to the auditors, the more quality the resulting audit will be because receiving high audit fees requires auditors to further improve the quality of their audits.

2. Audit tenure has no significant effect on audit quality in the consumer goods industry sector on the Indonesia Stock Exchange 2015-2018 period. This shows that the longer the engagement period that exists between KAP and the client company, tends to result in the resulting audit quality being unable to be objective or in other words not varying.

3. Audit rotation has no significant effect on audit quality in the consumer goods industry sector on the Indonesia Stock Exchange 2015-2018 period. This shows that the more often a company replaces KAP, the quality of the audit will decrease, so that the existence of a policy regarding the KAP tenure of a maximum of 6 consecutive financial years is deemed sufficient to increase the quality of audit within the company.

5.2. Suggestion

1. For Public Accounting Firms

a. *Fee* the determined audit must be adequate to the scope of the client audit. Adequate audit fees will assist public offices in providing appropriate and adequate auditor resources to conduct audits and have good ethical competence and commitment. Adequate audit fees also help the auditors to have sufficient time to carry out the audit thereby improving audit quality.

b. In order to improve audit quality due to the long audit engagement period, the audit should maintain its ethics of independence, and apply professional skepticism to work so that it can be more objective in providing opinions. KAP must play an active role in maintaining the ethics and independence of auditors by providing understanding through training, seminars or other media that can improve understanding of ethics and auditor independence.

c. To improve audit quality, the public accounting firm must implement a policy of rotation of public accountant partners and engagement personnel for a relationship with a client for a maximum of 5 years in accordance with government regulations or if in less than 5 years, public accountants and personnel feel they have emotional closeness that will reduce the audit quality can be rotated voluntarily so that colleagues and personnel can maintain independence.

2. For further researchers

It is hoped that the next researchers in the future will expand the population of this study, as well as conduct interviews with respondents in order to receive more valid and in-depth data about this variable so that they can find out more about other factors that affect audit quality.

3. For the Government

It is hoped that the government will monitor the financial reports published on the Indonesia Stock Exchange (BEI), especially on audit quality, and pay more attention to audit fees so that the wages earned by auditors are in accordance with their work results. So as to make the auditors more enthusiastic in auditing financial statements and the results obtained are of higher quality. The government should also check each auditor who audits the company, this is done so that there is no fraud by manipulating the audit engagement period and auditor rotation. Pay more attention to regulations and regulations in auditing so that the audit quality produced by the auditors is even better without having to burden the auditors themselves.

5.3. Limitations and Suggestions

1. Limitations

a. The companies used as research samples from the financial sector are only 31 companies out of 60 financial sector companies listed on the Indonesia Stock Exchange for the 2015-2018 period

b. The few factors that influence audit quality in this study consist of *fee* audit, audit tenure, and audit rotation while there are many factors that influence audit quality.

c. Judging from the results of the Adjusted R-squared test of 0.399523. This means that the independent variable (*fee*audit, audit tenure, and audit rotation) were able to have an effect of 39.9% on the dependent variable (audit quality) in the financial sector listed on the Indonesia Stock Exchange in the 2015-2018 period. While the remaining 60.1% is influenced by factors outside the research model

2. Suggestion

a. It is hoped for further research to add other indicators to find out things that increase the quality of the audit of the financial statements presented by the company.

b. It is hoped that further research can expand the object of research used, not only companies in the consumer goods industry sector so that more company data will be obtained.

c. It is hoped that further research will add other variables that are thought to be factors that can affect audit quality

d. It is hoped that further research can add to the research period to be studied, for example, more than 4 years in order to get more accurate results.

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