

**THE EFFECT OF AUDIT TENURE TO AUDIT QUALITY WITH
PROFESSIONAL SKEPTICISM, INDEPENDENCE &
EXPERIENCE AS INTERVENING VARIABLES**

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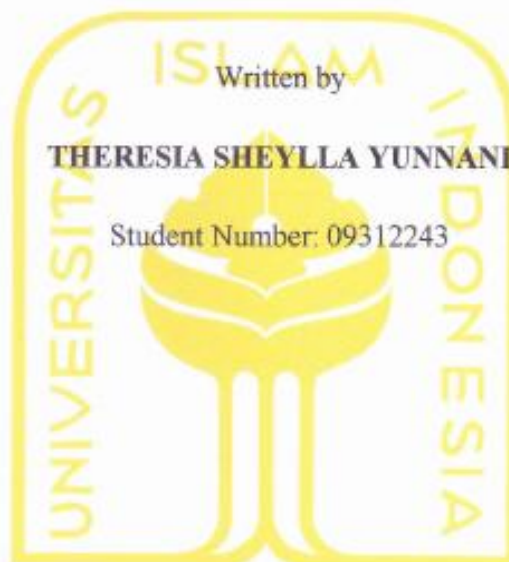
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THE EFFECT OF AUDIT TENURE TO AUDIT QUALITY WITH PROFESSIONAL SKEPTICISM, INDEPENDENCE & EXPERIENCE AS INTERVENING VARIABLES

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ABSTRACT

This research is aimed to find out the effect of audit tenure on audit quality, with considering some aspect that expected to influence audit quality base on most research relate to audit quality with professional skepticism, independence, and experience, and as intervening variables. Primary data is obtained by distributing questionnaires with random sampling. Population in this research is auditors in Yogyakarta with total samples are 48. Data from the questionnaire is processed using Computer Statistic Program *SPSS for Windows Release 19.00* as well as macro developed by Preacher & Hayes (2004) to test the mediation effect. The researcher find that professional skepticism and experience are completely mediated the effect of audit tenure to audit quality while independence is only partially mediated.

Keywords: *audit tenure, audit quality, professional skepticism, independence, experience..*

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh tenur audit pada kualitas audit, dengan skeptisisme profesional, independensi dan pengalaman sebagai variabel intervening. Penelitian ini menggunakan data primer dengan cara memberikan kuisioner kepada responden dengan metode *random sampling*. Populasi dalam penelitian ini adalah auditor di Yogyakarta dengan jumlah sampel sebanyak 48. ata diproses menggunakan Program Komputer Statistik *SPSS for Windows Release 19.00* serta menggunakan macro Preacher & Hayes (2004) untuk menguji model mediasi. Hasil penelitian ini menunjukkan bahwa skeptisisme profesional dan pengalaman memediasi penuh hubungan antara tenur audit dan kualitas audit, sedangkan independensi hanya secara parsial memediasi hubungan tersebut.

Kata kunci: *tenur audit, kualitas audit, skeptisisme profesional, independensi, pengalaman.*

INTRODUCTION

Audit quality resulted from public accountant works start to become a spotlight after some of accounting scandal that involved the role of public accountant revealed. Such as accounting scandal involve Enron with its accounting firm Arthur Anderson that shocked business world at that time. The involvement of auditor role in this case as a result of long tenure seems raise many speculation about audit quality and independence as well. This gives big impact to public trust towards accountant public profession. Later, this also become a focus in many studies regarding the relationship between client and accounting firm in recent years. Jackson (2001) stated that the longer the tenure between auditor and its client will bring to better audit quality. In another hand, Geiger and Raghunandan (2002) in Siregar (2012) found that there was significantly more audit reporting failure in the earlier years of the auditor – client relationship than when auditors had served clients for longer tenures. In Indonesia itself, every public accountant and public accounting firm follow the government regulation about limitation of audit tenure, 6 years for public accounting firm and 3 years for public accountant.

Another issue that can be seen to influence audit quality is the level of auditor skepticism. Herusetya (2007) in Januarti (2011) stated that one of the factor for auditor fail to detect misstatement is the low level of professional skepticism. Professional skepticism will lead auditor to perform effective audit procedure so auditor can arrive in correct audit opinion. In addition, based on Crabtree (2004) in Sukriah et al (2012) mentioned about the importance of

experience in determining the audit quality relate with audit tenure. He mentioned that as auditor tenure increases, the auditor learns more about the client and its business process, allowing the auditor to reduce reliance on management estimation and representation, resulting in a more effective audit.

Considering that there were difference result from previous studies, so it need to be repeated to verify the theoretical research on audit quality, with considering professional skepticism, independence, and experience to be intervening variable. In this case, the researcher want to know from the auditor point of view, how tenure of public accountant (1-3 years) affect the audit quality. This research also analyze other aspect that considered and expected to affect audit quality, that important to be explain because there is lack of previous research explain about this. Those aspect expected to affect audit quality are professional skepticism, independence and auditor experience toward client's business. The researcher then determine these as intervening variable in this research, and want to know the indirect effect of audit tenure to audit quality if those variables are used to mediate the relationship.

Seeing from the previous research done, seems that research regarding audit quality still relevant to be done, especially for seeing the indirect effect of audit tenure toward audit quality through the intervening variable that usually used as dependent variable only. From the explanation above, the researcher intend to do a research entitled "The Effect of Audit Tenure to Audit Quality with Professional Skepticism, Independence & Experience as Intervening Variables

PREVIOUS RESEARCH

Giri (2010) research aimed to test whether the firm's tenure will reduce the audit quality in Indonesia, also implicate the result to Finance Minister Regulation no. 17/Menkeu.01/2008 about mandatory audit regulation. The data area analyzed by using a generalized regression method of moment (GMM), with sample of 455 public companies years in manufacturing industries listed in the Indonesia Stock Exchange. Data analysis shows that firm's tenure negatively influences the audit quality. Similar results were also shown back in Beckeer *et al* (1998), Reynolds and Francais (2000) in Giri (2010). They showed other perspective about long audit tenure. Long audit tenure will encourage the creation of business knowledge for an auditor. This knowledge can be used to design effective audit program and created high quality financial report. This tendency is stronger when done big accounting firm which have high reputation, this high reputation cause they have high economic ability and high knowledge as well to prevent profit management act by opportunist client.

Gusti and Ali (2008) researched the relationship between professional skepticism, audit situation, ethics, experience as well as audit expertise with the accuracy of audit opinion by public accountant. They found that higher the level of auditor skepticism will result to better opinion that auditor will give to the client. Higher auditor professional skepticism will minimize audit failure (Perry; 1994). Noviyanti (2008) in Sabrina & Januarti (2010), professional skepticism will lead auditor to decide effective audit procedure, so the auditor can arrive in correct audit opinion.

Singgih and Bawono (2010) conducted survey method with questionnaire study. By using of 125 processed questionnaires distribute to auditors who work in Big Four public accountant office in Indonesia. Based on the result, they proved that independence was dominant factor that influence audit quality. Johnson & Reynolds (2002) in Febrianto & Sugiri (2010) research found that long audit tenure will make auditor gain some experience on client's business. The more experience an auditor, the better he perform the audit task, the higher the quality of the financial statement.

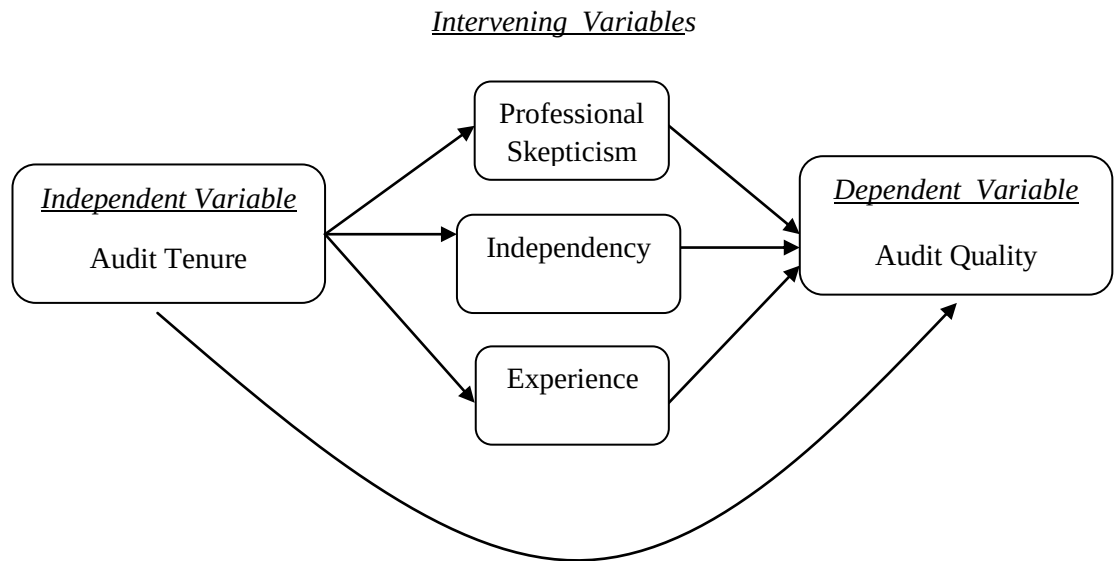
This research is a replication from combining previous research that done by Singgih & Bawono (2010) & Giri (2012) with some adjustment to it. The researcher used audit tenure as independent variable and adding intervening variable to see the indirect effect of audit tenure toward audit quality.

RESEARCH METHOD

Type of Study

The study is an empirical research in the form of a survey. Data used in this research is primary data which are obtained by the researcher by giving the questionnaire to be filled. The questionnaire contained questions related to audit tenur, audit quality, professional skepticism, independence and experience base on auditors in Yogyakarta.

Conceptual Framework



1. Figure Conceptual Framework

Population and Sample

The population in this research are auditors in Yogyakarta, it means they are who work under the KAP in Yogyakarta regardless their position or status as junior auditor, senior auditor, supervisor, or higher position.

Sample in this research are 48 respondents by determining the minimum sample that should represents of auditors in Yogyakarta.

Research Variables

In this study, the dependent variable used is audit quality while the independent variable is audit tenure and the intervening variables are professional skepticism, independence and experience.

ANALYSIS

This research is being analyze using computer statistic program *SPSS for Windows Release 19.00*. The results of validity test for professional skepticism show that the items in the questionnaires calculation function have corrected item-total correlation value more than 0.240 (0.240 is taken from the r table for $df = n - 2$). Similar result also shown for experience and audit quality as well, where the item-total correlation value more than 0.240. While for independence all of question are valid excep no 1 ($0.162 < 0.240$). So the researcher deleted the data for question number 1 then the data can be proceeds further.

The Cronbach's alpha value of intervening variable professional skepticism is 0.638, independence is 0.702 and experience is 0.667, while audit quality is 0.715. Which means that all of them are bigger than 0.6, so it can be concluded that all questions for the questionnaire are reliable.

The normality test has been conducted to see whether the data has normal distribution or not. All of variables mentioned before has value greater than 0.05. professional skepticism is 0.621, independence is 0.489, experience is 0.124 with audit quality is 0.308, showing that the the data has normal distribution.

2. Figure simple mediation test (M = prof)

	Coeff	s.e.	t	Sig(two)
b (YX)	.2776	.0552	5.0264	.0000
b (MX)	.4151	.0542	7.6568	.0000
b (YM.X)	.3855	.1406	2.7418	.0087
b (YX.M)	.1176	.0780	1.5087	.1384

INDIRECT EFFECT And SIGNIFICANCE USING NORMAL DISTRIBUTION						
	Value	s.e.	LL 95 CI	UL 95 CI	Z	Sig(two)
Effect	.1600	.0625	.0376	.2824	2.5620	.0104

This information explain about the influence of audit tenure to audit quality after professional skepticism inputed into the model. Regression coefficient showed by 0.1176 with 0.1384 (not significant), means complete mediation exist and showed the professional skepticism is a mediator / intervening variables, because after the professional skepticism inputed to the model, it becomes not significant. We can see also the significant of the mediation model, showed by 0.0104 (significant). We also can look the direct effect of audit tenure to audit quality by value of coefficient 0.2776 with significance of 0.0000 (significant).

3. Figure simple mediation test (M = Indep)

DIRECT And TOTAL EFFECTS						
	Coeff	s.e.	t	Sig(two)		
b(YX)	.2776	.0552	5.0264	.0000		
b(MX)	-.3811	.0672	-5.6700	.0000		
b(YM.X)	.0651	.1221	.5329	.5967		
b(YX.M)	.3024	.0726	4.1680	.0001		
INDIRECT EFFECT And SIGNIFICANCE USING NORMAL DISTRIBUTION						
	Value	s.e.	LL 95 CI	UL 95 CI	Z	Sig(two)
Effect	-.0248	.0475	-.1178	.0682	-.5226	.6012

Mediation test using independence as mediator showing about that the regression coefficient showed by 0.3024 with 0.0001 (significant), means there is partial mediation exist and showed that independence here is not a mediator.

4. Figure simple mediation test (M = Exp)

b (YX)	.2776	.0552	5.0264	.0000		
b (MX)	.3988	.0523	7.6195	.0000		
b (YM.X)	.3164	.1501	2.1083	.0406		
b (YX.M)	.1514	.0801	1.8900	.0652		
INDIRECT EFFECT And SIGNIFICANCE USING NORMAL DISTRIBUTION						
	Value	s.e.	LL 95 CI	UL 95 CI	Z	Sig(two)
Effect	.1262	.0626	.0035	.2489	2.0159	.0438

While mediation test using experience as mediator showing about that the regression coefficient showed by 0.1514 with 0.652 (not significant), means there is complete mediation exist and showed the experience is a mediator. With significant of the mediation model, showed by 0.0428 (significant).

CLOSING

Conclusion

Based on the result of various test, data analysis and discussion, there are some conclusions that can be drawn from this research:

1. Audit tenure has a positive and significant influence toward audit quality, which is mentioned as direct effect. It means that the more audit tenure (in the second or third year) done by an auditor, the higher audit quality resulted.
2. Audit tenure has a positive and significant influence toward audit quality through professional skepticism, which is called as indirect effect. It means that professional skepticism indeed mediate the relationship between the two, showing a complete mediation.
3. Audit tenure has a negative and not significant influence toward audit quality through independence. It means that independence not mediate the relationship between the two, it showed partial mediation instead.
4. Audit tenure has a positive and significant influence toward audit quality through experience. It means that experience indeed mediate the relationship between the two, showing a complete mediation.

Research Limitation

The researcher set limitation of the research area to focus on the research as follows:

1. Data obtained in this research are limited to the perception of the auditor in Yogyakarta.
2. Audit tenure study in this research will range between 1-3 years, following the government regulation for public accountant.

Recommendations

Some suggestions for the future research on this topic based on the limitation that researcher found are mentioned as follows:

1. It would be better for the next research to collect more sample that is not limited to Yogyakarta area, and also considering the right time to distribute the questionnaire, in the low season (auditor) for example.
2. The next researcher is suggested to test the variables using multiple mediation model, instead of simple mediation.
3. It will be good if the future research is able to give implications about audit tenure on audit quality related with the regulation implemented in Indonesia about limitation of audit tenure.
4. The future research about the effects of audit tenure on audit qualities through some intervening variables can be further studied in Indonesia with better quality by adding more hypothesis or adding another variables that expected to influence the relationship.

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