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A MANAGEMENT AUDITOR INDEPENDENCE ON AUDIT QUALITY AS A MODERATING VARIABLE IN MANUFACTURING COMPANIES LISTED ON THE IDX (2013-2016)"

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ABSTRACT

The objectives of this study were to find out the positive effect of audit tenure, auditor rotation, KAP size, and auditor independence on audit quality partially and simultaneously in manufacturing companies listed on the IDX and to find out whether audit fees can strengthen or weaken the relationship between audit tenure, auditor rotation, KAP size, auditor independence on audit quality in manufacturing companies listed on the IDX. This study uses an associative method. The data source used is secondary data obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) with 14 samples of manufacturing companies in the food and beverage sector and the observation year for 4 years. The data will be analyzed with the data analysis conducted, it is concluded that testing using the logistic regression method, the results of this study indicate that audit tenure, auditor rotation, KAP size and audit independence have no effect on audit quality and based on testing using the residual test, the results of this study indicate that audit fees are not significant in moderating the relationship between audit tenure, auditor rotation, KAP size and auditor independence on audit quality.

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1. INTRODUCTION

In business development, from year to year there are more and more competitors so that the company must establish the best possible relationship with stakeholders for the development of the company and can compete with other companies to get satisfactory results and for the continuity of the company. This business competition encourages global competition resulting in the role of accounting becoming more difficult and challenging in producing financial reports for the benefit of stakeholders.

A good relationship between company management and investors/stakeholders (stakeholders) will be well established if the company's management carries out its responsibilities and obligations to stakeholders by reporting the company's operating results through the company's financial reports. The purpose of the financial statements itself is to provide information related to financial position, changes in financial position and company performance that are useful for a number of users in making economic decisions.

As we know, an important source of financial information for companies is financial reports. Therefore, the resulting financial reports must be accurate, that is, free from negligence in recording, material misstatement or fraud intentionally committed by the company's management, and must also reflect the actual condition of the company in accordance with accounting principles. If there is a difference between users of the report finance (stakeholders) with management can lead to information gaps. To avoid this, a competent and independent external audit (public accountant) is needed to examine the company's financial statements.

In SPAP Audit Standard 200 regarding the audit of a financial statement, "The purpose of an audit is to increase the level of confidence of the intended users of financial statements. This is achieved through the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, with an applicable financial reporting framework" (IAPI, 2015:3).

Given the large number of users of financial statements, quality audit services are needed in giving opinions on financial statements so as not to cause misunderstandings between users of financial reports and company management. The public accounting profession is a public trusted profession, therefore public accountants in carrying out their duties must comply with auditing standards set by the Indonesian Institute of Public Accountants (IAPI), namely general standards, field work standards and

reporting standards. If a public accountant has carried out his duties in accordance with the standards set, it will produce a good audit opinion and of course it will produce good audit quality as expected by stakeholders.

2. METHOD

This research is a descriptive research. The associative method according to Sugiyono (2013: 5) Research that aims to determine the influence or also the relationship between two or more variables.This associative research was carried out with a hypothesis on the influence of independent variables, namely audit tenure, auditor rotation, KAP size, auditor independence on the dependent variable, namely audit quality with audit fees as a moderating variable.

According to Erlina (2011) states an operational definition that contains an explanation of the characteristics of the elements of observable objects so that concepts can be measured and operationalized in research. The variables used in this study are between other :

1. Independent variables are variables that can affect other variables. In this study the independent variables used include:

a. Tenure audits

Audit tenure is the length of the auditor's engagement with the client. The longer the engagement period between the client and the auditor creates an emotional closeness between the client and the auditor so as to reduce the level of objectivity of the auditor in carrying out its audit activities

b. Auditor Rotation

Auditor Rotation, audit rotation is a change of public accounting firm carried out by the company. There are several companies that change their auditors before five consecutive years (voluntary). Audit rotation is measured using a dummy variable, 0 if it does not rotate and 1 if the company does rotation

c.KAP size

KAP size is an independent variable that is dummy, namely 1 for KAPs that are included in the Bigfour KAPs and 0 for KAPs that are not included in the Bigfour KAPs. KAPs that are included in The Bigfour are KAP Drs Haryanto Sahari & Rekan (Price Waterhouse & Coopers), Purwanto , Sarwoko & Sandjaja (Ernst&Young), Osman Bing Satrio& Rekan (Deloitte), and Siddharta & Widjaja (KPMG-Klynveld Peat Marvick Goerdeler)

d. Auditor Independence

Independence can be interpreted as a mental attitude that is free from influence, not controlled by other parties, not dependent on other people (Mulyadi (2010: 72). In this study the audit assignment measured using a nominal scale with a dummy variable. Number 1, companies that change their auditors in less than 3 years, which means being independent, while number 0 is used for companies that use the same auditor in 3 years, which means they are not independent. Number 1, companies that change their auditors in less than 3 years, which means being independent, while number 0 is used for companies that use the same auditor in 3 years, which means they are not independent.

2. The dependent variable of this study is audit quality, audit quality is the auditor's ability to find and disclose errors or oversights in the client's accounting system. In this study, audit quality is measured by audit opinions issued by each KAP using a dummy variable, where 1 is for companies that receive fair audit opinions and 0 for companies that receive audit opinions other than fair.

3. The moderating variable has a strong contingent impact on the relationship between the dependent variable and the independent variable (Erlina, 2011). The relationship between the independent variables and the dependent variable is influenced (strengthened or weakened) by the moderating variable. The moderating variable of the research is the audit fee. Audit fee is income that is received by the auditor as a reward for services after the audit has been carried out. The audit fee for this research is proxied by the professional fee listed in the financial statements of companies listed on the Exchanges The Indonesian effect is then calculated using this variable natural logarithm (Kurniasih and Rohman, 2014).

According to Ridwan and Kuncoro put forward by Erlina (2011: 80) states the population is a generalized area consisting of objects or subjects that become certain quantities and characteristics set by researchers to study and then conclusions are drawn. According to Erlina (2011: 81) the sample is a part of the population that is used to estimate population characteristics.

The population in this study were food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2013-2016 period. The results of research using samples. Samples taken from the population must be truly representative or representative. The sampling technique in this study was purposive sampling. Purposive sampling is a sampling technique from a population based on certain criteria. The sample criteria in this study include:

1. Food and beverage industry manufacturing companies on the IDX during the 2013-2016 period.
2. The company has financial reports and audit reports for 2013-2016.
3. The Indonesia Stock Exchange (IDX) displays the data and information used to analyze each variable in the study during the 2013-2016 period.

Table 1. Sample Criteria Description

No	Information	Amount Population	Number of samples who does not meet the criteria	sample that fulfil criteria
1	Company manufacture sector food Which registered in Exchang Effect e Indonesia during period 2013-2016	14	-	14
2	Company the own report finance And notes on report finance during period 2013-2016	14	-	14
3	Company displays data And information Which used For analyze every part variable in study during the 2013-2016 period	14	-	14
4	Amount sample Which meet the criteria			14
5	Observation year			4
6	The total number of samples during research period (2013-2016)			56

Table 2. Company Sample

No	CODE	COMPANY NAME	SAMPLE
1	CHECK	PT. Wilmar Cahaya Indonesia Tbk	Sample 1
2	DLTA	PT. Delta Djakarta Tbk	Sample 2
3	ICBP	PT. Indofood CBP Sukses Makmur Tbk	Sample 3
4	INDF	PT. Indofoof Sukses Makmur Tbk	Sample 4
5	MYOR	PT. Mayora Indah Tbk	Sample 5
6	BREAD	PT. Nippon Sari Roti Corpindo Tbk	Sample 6
7	SKBM	PT. Sekar Bumi Tbk	Sample 7
8	SKLT	PT. Sekar Laut Tbk	Sample 8

In this study used quantitative data. Quantitative data is in the form of information data with numeric symbols. Based on that (number/number), quantitative calculations can be carried out in order

to produce a generally accepted conclusion according to the standard. The data needed are the complete financial statements and also the auditor's reports for the 2013-2016 period as well as data related to the variables in this study.

In this study used secondary data sourced from the official website of the Indonesia Stock Exchange (www.idx.co.id). According to Sugiyono (2012: 34) Data collection techniques are the most strategic steps in research because the main objective of research is to obtain data. The data collection method in this study is secondary data. This secondary data collection is done by studying company records or documents according to the required data.

The documents in this study are data obtained from the financial reports and annual reports of manufacturing companies listed on the IDX for 2012 – 2016 (www.idx.co.id). In addition, data was also obtained by collecting data from journals and books related to this research.

The data analysis technique used is logistic regression analysis. The stages of testing with logistic regression analysis are carried out by assessing the feasibility of the regression model, assessing the entire model, the coefficient of determination, the classification table, the multicollinearity test, and the logistic regression model formed from hypothesis testing.

Testing in this study using logistic regression. Logistic regression is used because it analyzes using dichotomous variables which have two opposite category values (Ulum & Juanda, 2016). Logistic regression does not require tests of normality, heteroscedasticity, and classical assumption tests on the dependent variable (Ghozali, 2011).

Descriptive statistics are used to provide an overview or description seen from the data frequency of each variable. Descriptive statistics provide an overview of the variables in the study as seen from the average (mean), standard deviation, maximum and minimum values (Ghozali, 2011.

This analysis wants to test whether the occurrence of the dependent variable can be predicted with the independent variable. Logistic regression is a special form where the dependent variable is divided into two parts or groups (binary) although the formula can have more than two groups. Logistic regression is a regression that is used to find the regression equation if the dependent variable is a variable in the form of a scale. Logistic regression is usually used to find a regression equation where the dependent variable is categorical with two choices such as: yes or no, or more than two choices such as: disagree, agree, strongly agree. The dependent variable in this study is audit quality which is expressed by a dummy variable, where category 0,

Based on the formulation of the problem and the research model described previously, the research model formed is as follows:

$$Y = \alpha + \beta1x1 + \beta2x2 + \beta3x3 + \beta4x4 + e$$

Description:

Y	= Audit quality
α	= Constant
β1β2β3β4	= Regression coefficient
x1	= Tenure audit variable
x2	= Auditor rotation variable
x3	= KAP size variable
x4	= Auditor independencevariable
e	= errot term

3. RESULT AND DISCUSSION

Result Analysed

The data analysis method used in this study is a statistical analysis method using logistic regression analysis equations. Data analysis begins with processing data using Microsoft Excel, then logistic regression analysis is performed. Logistic regression analysis testing is used using SPSS software. The procedure begins by entering the research variables into the SPSS program and producing output according to the predetermined data analysis method.

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No	CODE	COMPANY NAME	Sample
1	CHECK	PT. Wilmar Cahaya Indonesia Tbk	Sample 1
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6	BREAD	PT. Nippon Indosari Corpindo Tbk	Sample 6
7	SKBM	PT. Sekar Bumi Tbk	Sample 7
8	SKLT	PT. Sekar Laut Tbk	Sample 8
9	STTP	PT. Siantar Top Tbk	Sample 9
10	ULTJ	PT. Ultrajaya Milk Industry and Trading Company Tbk	Sample 10

Logistic Regression Analysis

Based on the descriptive statistical analysis, an overview of the sample was obtained as follows:

Table 4. Descriptive Statistics of Audit Quality

Audit Quality

		frequency	percent	Valid Percent	cumulative percent
Valid	,0	6	10,7	10,7	10,7
	1.0	50	89.3	89.3	100.0
	Total	56		100.0	
			100.0		

Based on predetermined criteria, 10 companies were obtained that met the criteria and were used as samples in the study and observed during the 2013-2016 period. In logistic regression, the result of the statistical difference -2log-likelihood between the logistic regression model that uses a set of independent variables and a simpler model (the simpler model) is used to find out which logistic regression model that uses a set of independent variables is better in terms of matching or adjusting the data compared to a simple logistic regression model. If the -2log-likelihood statistic on the logistic regression model is using a smaller set of independent variables than a simpler model, the logistic regression model using a set of independent variables is better in terms of matching data than this simpler model.

Table 5. Value of -2 Log Likelihood (-2 Initial LL)

Iteration History[a B C]

Iterations		-2 log likelihoods	Coefficients Constant
Step 0	1	39,998	1,571
	2	38,184	2,027
	3		
		38,136	2.117
	4	38,136	2,120
	5	38,136	2,120

Effect of Tenure Audit on Audit Quality

From the results of the tests conducted in this study it can be seen that tenure audits have a tenure audit showing a positive regression coefficient of 0.357 with a probability value (Sig.) of 0.423 which is greater than 0.05, so tenure audits have no effect on audit quality. From the results of this study it is proven that tenure audits cannot affect audit quality, so Ha1 is not supported because the regression model equation is formed that the first hypothesis states that tenure audits have no effect on audit quality.

Measurement of audit tenure uses the number of years of engagement in which the auditor from the same KAP performs an audit engagement on the audit. These results are consistent with the results of Handiko's research (2018) that tenure audits do not affect audit quality. This happens because the closeness between the auditor and the audit creates the perception that audit assignments are just routine without being accompanied by innovations in developing their assignments. This resulted in no influence between audit tenure and audit quality.

Effect of Auditor Rotation on Audit Quality

From the results of tests conducted by researchers that auditor rotation shows a positive regression coefficient of 0.636 with a probability value (Sig.) 0.656 which is greater than 0.05, then auditor rotation has no effect on audit quality. From this study it is proved that audit rotation has no effect on audit quality. The results of this study are consistent with Marita Kusuma Wardani (2017) which proves that auditor rotation has no effect on audit quality. In this case, it is possible that when the market audit rotation actually does not really care whether the auditor who expressed an opinion on the annual financial statements has been rotated or not. With the auditor rotation,

Effect of KAP Size on Audit Quality

From the results of the tests carried out by the researchers produced a KAP size has a KAP size coefficient showing a negative regression coefficient of -0.91 with a probability value (Sig.) 0.373 which is greater than 0.05, then KAP size has no effect on audit quality. From this study it can be proven that the size of the KAP has no effect on audit quality, so the bigger the KAP, the higher the quality of the audit will be because it has better experience and expertise than a small KAP.

From the test, we can see that the auditor's independence has a coefficient equal to - Auditor independence shows a negative regression coefficient of -0.565 with a probability value (Sig.) 0.704, so auditor independence has no effect on audit quality.

The results of this study are not in line with the results of research conducted by Nur Aini (2009) on the effect of auditor independence, auditor experience and auditor ethics on audit quality. Some other researchers say that in making a decision a public accountant in making a decision is influenced by the urge to maintain the audit quality of his client. On the other hand, there are considerations in making a decision. In this study, auditor independence has no effect on audit quality, according to researchers, each auditor must follow the applicable accounting standards so that they will be competent in carrying out their duties and produce good audit quality.

The Effect of Audit Tenure, Auditor Rotation, KAP Size, Auditor Independence on Audit Quality Simultaneously

Based on simultaneous testing it can be seen that Sig. 0.815 > 0.05, then simultaneously tenure audit, auditor rotation, KAP size and auditor independence have no effect on audit quality. In testing the moderating variable, the researcher uses the residual test approach, where a variable is said to moderate the independent variable if the regression coefficient of the independent variable is negative and significant. In this residual test, it can be seen that audit fees can moderate the relationship between audit tenure, auditor rotation and KAP size on audit quality. The results of this study are in line with the results of Elfrieda Sari Hidayat's research (2018) which says that audit fees can moderate the relationship between audit tenure, auditor rotation and KAP size on audit quality, these results partially contradict existing theory. while audit fees cannot moderate the relationship between auditor independence and audit quality.

4. CONCLUSION.

1. Based on testing using the logistic regression method, the results of this study indicate that tenure audits have no effect on audit quality. Based on testing using the logistic regression method, the results of this study indicate that the auditor rotation variable has no effect on audit quality. Based on testing using the logistic regression method, the results of this study indicate that the KAP size variable has no effect on audit quality. Based on testing using the logistic regression method, the results of this study indicate that the auditor's independence variable has no effect on audit quality. Based on testing using the logistic regression method, the results of this study indicate that the variable audit tenure, auditor rotation, KAP size and auditor independence have no effect on audit quality. Based on testing using the residual test, the results of this study indicate that audit fees are significant in moderating the

relationship between audit tenure, auditor rotation and KAP size on audit quality. While the results of this study indicate that the audit fee is not significant

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