

## The Effect of Tenure Audits, Audit Rotations and Audit Committees on Audit Quality

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### ABSTRACT

This study will analyze transportation and logistics companies listed on the Indonesia Stock Exchange between 2017 and 2022 to determine the influence of audit tenure, audit rotation, and committee composition on audit quality. Secondary data from this case is the basis for a quantitative approach. 102 data points were collected from 17 sample organizations in the study. This study used statistical tools for panel data analysis, including CEM, FEM, and REM (Random Effect Model). Choosing a suitable panel data regression model is easy with the help of rigorous testing methods such as Chow, Hausman, and LM testing. We then used the F-test, R<sup>2</sup> test, and T-test to examine our hypothesis and confirm the relationship was significant. To implement this strategy, we processed the data using EViews version 12, which resulted in meticulous statistical findings. The results show that among the logistics and transportation companies studied, the audit committee does not seem to have a statistically significant influence on audit quality, audit rotation decreases audit quality, and audit duration does not affect audit quality.

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## **INTRODUCTION**

The increase in the number of companies choosing to go public has led to an increase in demand for financial statement auditing services, especially among publicly traded issuers. In order to remain competitive in the highly competitive market of public accounting services, auditors are encouraged to attract as many clients as possible while at the same time fostering trust among the general public. This confirms the critical need for consistently high-quality audit services (Kurniasih & Rohman, 2014). Audit quality, as outlined by Tandiontong (2015), includes a comprehensive process for finding and documenting non-conformities inherent in the client's accounting framework. This aspect of auditing is of primary importance by providing stakeholders comprising investors, creditors, and company executives with critical insights to support their decision-making efforts, by effectively safeguarding the public interest and strengthening confidence in the capital markets. As a result, in order to ensure the dissemination of outstanding financial disclosures in accordance with professional protocols, the company entrusts the Public Accounting Firm (KAP) with the very important task of carefully complying with the principles enshrined in the SPAP (Professional Standards of Public Accountants). As emphasized by Rosnidah (2010), the essence of audit quality lies in the application of careful audits with predetermined standards, making it easier to identify and report client violations. Furthermore, as stated in the General Bookkeeping Proficiency Principles (SPAP), the Auditor emphasized that the quality of the review in the assessment is carried out strictly by agreeing on review norms and quality control guidelines. The dispute regarding PT. Garuda Indonesia emerged in mid-2019 and has been explored by KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan and Public Accountant (AP) Kasner Sirumpea. The incident at PT Garuda Indonesia for the 2018 financial statements is one of the phenomena in Indonesia related to the poor quality of audits of client companies (APRILIA, 2021). In the financial report, it was found that PT Garuda Indonesia recorded revenue from the collaboration with PT Mahata Aero Teknologi to anticipate the receipt of payments from PT Mahata Aero Teknologi after the agreement was signed. Two commissioners of PT Garuda Indonesia did not sign the 2018 financial statements, which had an impact on the company's income statement. As auditors of PT Garuda Indonesia's financial statements in 2018, KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan and auditor Kasner Sirumapea were known to have violated the PPPK of the Ministry of Finance by issuing an audit opinion that was not in accordance with the actual circumstances of the financial statements (<https://pppk.kemenkeu.go.id>, 2019). The observed phenomenon indicates that there are still audits that do not meet expectations and cause some individuals to lose trust in public accountants, especially in terms of the quality of audits conducted in evaluating and providing views on financial statements. This is the result of auditors' negligence in identifying mistakes made by business management. However, there are other aspects of the organization that have an impact on audit quality, so this issue is not limited to KAP.

Audit tenure refers to the duration of the professional relationship between an auditor and a client, which marks the period during which the auditor conducts audits for that client's company. In research (Renaningtyas, 2020), audit tenure plays an important role in influencing audit quality variables. In the research Audit Quality (Dwi Fitriyaningsih and Kusmiyatun, 2022) proposed that tenure audits are positively correlated with audit quality. On the other hand, (Tasya Hervia Dewita and Erino NR, 2022) concluded that tenure audits have an impact on lowering audit standards. The assertion that tenure audits do not have a significant effect on audit quality is supported by research conducted by Stephanie Yasodhara and Rr. Dian Anggraeni (2024). Research by Diyanti and Wijayanti (2019) and Salsabila (2018) shows that the longevity of Public Accounting Firms (KAP) can increase the creation of superior audit systems and reliable financial reports. Audit rotation may seem to improve audit quality, but research shows the opposite (Utam i, 2017). On the other hand, audit rotation has an impact on audit quality, according to research (Juliarto, 2014; Permatasari and Astuti, 2019). According to research conducted by (Tasya Hervia Dewita and Erino NR, 2022), audit quality is negatively affected by audit rotation. According to (Saepudin et al., 2017), the increase in meetings by the audit committee contributes to increasing effectiveness in fulfilling its responsibilities, which ultimately results in an improvement in audit quality. They argue that the meeting provides an opportunity for the audit committee to have greater control over the company, thus strengthening the quality of the audit. However, (Mustafa et al., 2018) found different results, showing that the frequency of audit meetings did not have a significant impact on audit quality. The study conducted (Sukma and Bernawati, 2020) corroborates these results. Furthermore, research conducted by Yuli Anita Silviyani et al. (2020) to examine how the role of the audit committee affects audit quality by considering the regularity of the reputation of KAP (Public Accounting Firm). Wardhani and Joseph (2010) stated that the existence of the audit committee has no effect on the quality of the audit because the members of the audit committee are only tasked with complying with Bappepam regulations, so their performance in maintaining the quality of financial statements cannot be done. Affected. Saepudin (2018) also failed to find a critical relationship between the review board and audit quality which is also in line with Rustiarini's (2012) research which stated that the average number of review board members is 3 people, which is not able to exert influence. the internal control framework of the organization. The results of the study showed that there was a detrimental influence, showing that audit quality is one of the components of KAP quality. These differences form the basis for further analysis and investigation, based on the results of the different studies that are currently being observed. The study re-examines "*The Effect of Audit Tenure, Audit Rotation, and Audit Committee on Audit Quality*".

The following is a description of the formulation of this research problem:

1. Is the length of auditor experience in the field the main determinant of audit quality for transportation and logistics business actors listed on the IDX from 2017 to 2022?
2. Is there a correlation between transportation companies and the strategy of companies listed on the IDX in 2017–2022, audit quality, and rotation audits?
3. Among the transportation and logistics businesses listed on the IDX between 2017 and 2022, does the Audit Committee have a major influence on audit quality?

## **LITERATURE REVIEW**

### ***Agency Theory***

Agency Theory is a theory that states that the interrelationship of principle and agency is a purely agency relationship, often used to explain issues of "separation of ownership and control" that arise in business (Jensen & Meckling, 1976). The agreement between the owner, who owns the capital, and the agent, who manages the funds, is explained by the theory. According to Sunarsih et al. (2019), agency theory has the intention to overcome agency problems caused by cooperation that has various goals between parties. This theory gives principal authority to agents to make business decisions. This idea arises when the owner acts as principal and the manager acts as agent, and when both groups tend to put their own interests first. Regarding the need for an impartial third party to mediate between the principal and the agent in an agency environment, audit quality is a dependent variable used in this study. As the principal agent, this outside party is responsible for coordinating the manager's activities and ensuring that the principal's interests are protected. Auditors are believed to be able to bridge the gap between the interests of the principal and management. The auditor's responsibility is to express an opinion on the reasonable financial statements that have been provided by the manager, whose proficiency is shown by the quality of the audit that has been completed by the auditor.

### ***Audit Quality***

The Indonesian Accounting Institute (IAI) defines audit quality as an audit conducted by an auditor that meets the audit and quality control criteria. This term is used to describe a statement regarding audit quality. The company report in question is a summary of data that has been processed from all company activities and presented in the form of numbers. Audit quality, according to Hardiansyah et al. (2022), is an effort to identify audit integrity and submit misrepresentations in financial statements. Compliance with the standards and codes of ethics that have been set for public accountants is a fundamental requirement for auditors during the audit process. The achievement of a high-quality audit depends on the fulfillment of pre-set standards and prerequisites, which include professional competence, wise decision-making, auditor independence, and the formulation of comprehensive audit reports. The essence of the audit quality function is as an important mechanism for accountants to prevent accounting irregularities and

inaccuracies in financial statements, thereby strengthening public confidence in the accuracy of audited financial statements. Therefore, CPAs should not be complacent and should always look for ways to improve quality standards and audit standards.

### *Tenure Audit*

Characterized by (Muhamad Rafly Herdiansyah et al., 2022), Audit Tenure describes the duration of commitment between the General Bookkeeping Office (KAP) and the adjusted inspector. Extended tenure audits have the potential to improve audit competence because they provide auditors with the opportunity to leverage client-specific knowledge gained over time. However, a long engagement period can pose a risk to the independence of auditors. The long tenure period is associated with improved audit quality. The impact of tenure, both long and short, on auditor performance for corporate clients can be a moot issue. The unique relationship between the auditor and the audited client may occur if the company does not replace its auditors regularly, so that the auditor cannot assess and provide his own opinion in his audit.

### *Audit Rotation*

The latest guidelines regarding public accounting services, as announced by Number 17/PMK.01/2008, issued by the Minister of Finance of the Republic of Indonesia, stipulate that the general review of the budget report of a material is carried out with the help of a General Bookkeeping Office (KAP), can be contacted within the longest period of time. six consecutive monetary years, and for public bookkeepers, for the limit of three consecutive monetary years In accordance with the listed provisions, each company is obliged to conduct a rotation of auditors and KAP based on the results of the existing assessment. The purpose of audit rotation is to prevent a close relationship between the company and the public accountant, as it is believed that this relationship can interfere with the objectivity of the public accountant when reviewing the company's financial statements (Luvena et al., 2022).

### *Audit Committees*

The audit committee is part of the board of commissioners, which is tasked with protecting auditors by preventing interference from management (Pasali and Arief, 2023). Audit committees play a very helpful role in the organization in dealing with issues that need to be integrated and coordinated in order to deal with major or serious issues immediately. (Mustafa et al, 2018) audit meetings have no effect on audit quality because the more meetings that are held, the less likely it is to carry out external monitoring work, this statement is supported by (Sukma & Bernawati, 2020). Having an audit committee will improve the quality of audits (Saepudin et al., 2017). A more efficient audit committee is a committee that meets more frequently if necessary to carry out its duties.

### **Research Hypothesis**

#### *a. The Effect of Audit Tenure on Audit Quality*

According to Dwi Fitrianiingsih & Kusmiyatun (2022) who found a considerable positive relationship between the two. Research by Diyanti and Wijayanti (2019) and Salsabila (2018) shows that the longevity of Public Accounting Firms (KAP) can increase the creation of superior audit systems and reliable financial reports. On the other hand, tenure audits are associated with poorer audit quality, according to research supervised by Tasya and Erino (2022). They argue that protracted engagements strengthen auditor-client relationships at the expense of independence. Then the assertion that tenure audits do not have a significant effect on audit quality is supported by research conducted by Stephanie Yasodhara and Rr. Dian Anggraeni (2024)

H1: Audit Tenure has a positive effect on Audit Quality

#### *b. The Effect of Audit Rotation on Audit Quality*

According to (Salsabila, 2018) the length of attachment with the Public Accounting Firm (KAP) allows the development of an influential audit agenda and facilitates the preparation of high-quality financial statements. This statement is in line with (Muhamad Rafly Herdiansyah et al., 2022), who proposed that audit rotation does not affect audit quality because carrying out auditor activities can indeed provide a new atmosphere, but they need understanding. However, according to research by Permata and Astuti (2019), audit quality is negatively affected by audit rotation, contrary to this statement. They argue that new auditors need time to get to know the state of the client company and have a lack of understanding of the client company's risks, potentially at the expense of audit quality.

H2 : Audit Rotation has a Negative Effect on Audit Quality

#### *c. The Influence of the Audit Committee on Audit Quality*

According to (Saepudin et al., 2017), the increase in meetings by the audit committee contributes to increasing effectiveness in fulfilling its responsibilities, which ultimately results in an improvement in audit quality. They argue that the meeting provides an opportunity for the audit committee to have greater control over the company, thus strengthening the quality of the audit. However, (Mustafa et al., 2018) found different results, showing that the frequency of audit meetings did not have a significant impact on audit quality. The study conducted (Sukma and Bernawati, 2020) corroborates these results. Furthermore, research conducted by Yuli Anita Silviyani et al. (2020) to examine how the role of the audit committee affects audit quality by considering the regularity of the reputation of KAP (Public Accounting Firm).

H3 : The Audit Committee has a positive effect on Audit Quality

Referring to the development of the hypothesis, this research model is arranged as follows:

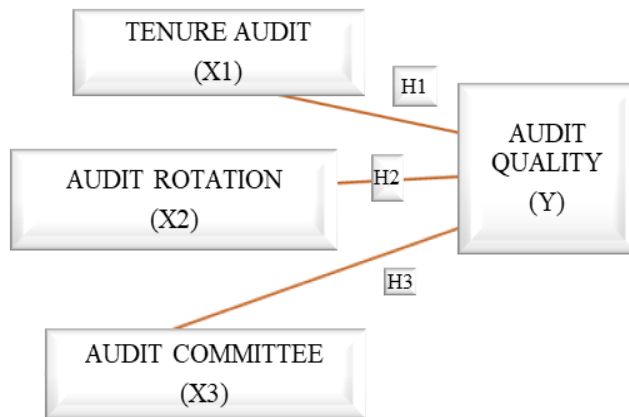


Figure 1. Research Model  
 Data : Processed by the author

## METHODOLOGY

### *Definition and Measurement of Variables*

The research method used in this study adopts a quantitative paradigm, especially using a causal model. The fundamental goal is to survey the legitimacy of recently settled speculations and gain a more thorough understanding of the ways in which autonomous variables (Audit Tenure, Audit Rotation, Audit Committee) are connected to the relied on variable (Audit Quality).

Table 1. Variable Measurement

No	Variable Name	Definisi	Indicator	Measurement Scale
1	Audit Quality (Y)	Audit quality is all conditions that strengthen the prospects for auditors to be able to find defects, negligence or denials in their clients' financial statements (Dewi & Peng Wi, 2018).	If a company is audited by one of the Big Four KAP then the dummy variable is given a value of 1, and if the audit is carried out by a non-Big Four KAP then it is given a value of 0.	Nominal
2	Tenure Audit (X1)	According to Werastuti (2013), audit tenure is defined as the duration of the relationship between an auditor from a public accounting firm (KAP) and the same auditee.	In the first year of the agreement, the number 1 (one) is given, and then added 1 (one) every year thereafter.	Interval

3	Audit Rotation (X2)	Auditor rotation is a transition of auditors that arises due to regulations that favor and voluntarily over auditors and management results (Davidson et al., 2005).	The dummy variable is given a value of 1 if there is an Audit Rotation and a value of 0 if there is no change of Auditor	Nominal
4	Audit Committees (X3)	Hiro revealed that the audit committee is a committee that works to support the organization's supervisory body during determining the effectiveness of internal handling policies and the effectiveness of the role of external auditors and internal auditors.	$r = \frac{\text{Number of Audit Committers}}{\text{Number of Commissioners}}$	Ratio

Source : From various Literature, 2024

### Population and Sample

This research focuses on the transportation and logistics industry listed on the Indonesia Stock Exchange. The sample covers the years 2017–2022, and consists of 37 companies, according to data obtained from [www.idx.com](http://www.idx.com). The purposive sampling method, where samples are deliberately selected based on predetermined criteria, is used in this study. From 2017 to 2022, a total of seventeen business actors who met the requirements and were routinely traded on the Indonesia Stock Exchange recorded 102 observations. Here's a quick overview of sample requirements:

- 1) Listed on the Indonesia Stock Exchange from 2017 to 2022 are companies engaged in transportation and logistics.
- 2) Transportation and logistics companies that routinely post their financial statements and annual reports on the Indonesia Stock Exchange and their own websites are considered to comply with such practices.

### Data Analysis Techniques

The Quantitative Approach is the approach technique in this study. The series of tests includes descriptive statistical testing, panel data regression estimation tests such as cem, fem, brake, sorting panel data regression models such as the Chow test, Hausman test, Legrange Multiplier (LM) test, hypothesis test such as t test, F test, determination coefficient test (R2), and finally pannel data regression analysis by processing data using E-Views 12.

1) *Descriptive Statistical Test*

Descriptive Statistics is statistics that are used while presenting data through a model to define data that has been collected without planning to design conclusions that take place for the general public or generalization (Sugiyono, 2019)

2) *Panel Data Regression Estimation*

There are 3 panel data regression estimation plans according to Ghozali et al., 2013, namely:

a) *CEM (Common Effect Mode)*

CEM is a simple reference for model panel statistics, which uses a combination of time series statistics on cross-sections like a bond without estimating the apparent similarity of time and individuals. The nan approach used is PLS (Panel Least Square).

b) *FEM (Fixed Effect Model)*

FEM describes a reference that is used to estimate panel statistics, where error variables can be interrelated with periods and accompanying individuals. During evaluating panel statistics, the FEM model requires a variable dummy method to take the intersimilarity of a series of companies, so the estimate reference is called LSDV (Least Square Dummy Variable).

c) *REM (Random Effect Model)*

The REM in this mold requires a variable fault (Term Error). This paradigm evaluates the statistics of the panel in which the obstacle variables appear to be alternately related to the period and the personal to the individual. This procedure utilizes the Generalized Least Square (GLS) design.

3) *Selection of Panel Data Statistics Techniques*

In order to determine the most accurate reference obtained, some of the tests that may be carried out (Widarjono, 2009), are:

a) *Chow Test*

The Chow test is a test that is used to determine the superior balance among the CEM (*Common Effect Model*) design statistics in the FEM (*Fixed Effect Model*) when estimating panel statistics.

(1) If the measure of likelihood (p-price) in the Cross area  $F > 0.05$  (critical value) so that  $H_0$  is recognized, then the most reliable model obtained is CEM

(2) If the probable measure (p-price) is in the crossover region of  $F < 0.05$  (critical value) so that  $H_0$  is ignored, then the most reliable model obtained is FEM.

b) *Uji Hausman*

The Hausman test is a test used to determine the superior balance between REM design statistics in FEM when measuring panel statistics. The tests are:

- (1) When the p-value on the random cross-section is greater than 0.05 (significant value), we accept H<sub>0</sub> and use the Random Effect Model (REM) as the most accurate model.
- (2) Assuming the probability value (P-price) in the irregular cross area < 0.05 (critical value) so that H<sub>0</sub> is ignored, then the most reliable model is the FEM (Fixed Impact Model).

c) *Uji Lagrange Multiplier*

The LM test is a test that is used to determine the superior balance between CEM reference statistics) on REM when estimating panel statistics. REM was raised by Breusch—a necessary food to measure the significance of the residual measures of the OLS procedure. The tests are:

- (1) If the cross-segment size of Breusch-agnostic > 0.05 (critical value) then H<sub>0</sub> is recognized, then the very appropriate reference is the Normal Impact Model (CEM)
- (2) The Random Effect Model (REM) is the most accurate reference because H<sub>0</sub> is rejected if the value of the Breusch-pagan cross section is less than 0.05 (significant value).

4) *The Hypothesis (t)*

In describing the differences of the bound variables, this statistical t-test identifies the maximum influence of each independent variable individually. The t-calculation can be compared with the t-table to perform the t-test (Ghozali, 2018). The level of interest above 5% in utilizing the expected testing standards is:

- a) If the calculated t-value is less than the table t and the p-value is greater than 0.05, then the independent variable has no significant effect on the dependent variable.
- b) Since the independent variable has a significant effect on the dependent variable, we can accept H<sub>1</sub> and reject H<sub>0</sub> with a p-value of 0.05 and calculate greater than the ttable.

5) *Test F (Simultaneous)*

The F test was conducted to measure whether all the autonomic factors surveyed affected the dependent variables. As revealed by Ghozali (2018), testing can be performed using FCount and FTable quality checks at <0.05 importance levels using the following testing steps:

- a) The rejection of H<sub>0</sub> and the acceptance of H<sub>1</sub> occurred when the Fcal > FTable and the F value of the P-Worth measurement < 0.05. This means that the independent variable still has an influence on the dependent variable.
- b) This shows that the independent variable does not have a simultaneous effect on the dependent variable if the F-Insights p-value is more than 0.05 and the Fcal is less than FTable. As a result, H<sub>1</sub> was rejected and H<sub>0</sub> was approved.

6) *Determination Coefficient Test (R2)*

You can find out what the bound variables are and how severe the model's constraints are by using the Guarantee Coefficient (R2) Test. R2 is close to one, which is the determination coefficient. The independent variable goes through almost all the data needed to assess the dependent variable when the value is close to one (Ghozali, 2018).

**RESEARCH RESULT**

*Results of Descriptive Statistical Analysis*

Table 2 Descriptive Statistical Analysis

Date: 05/09/24 Time: 18:37  
 Sample: 2017 2022

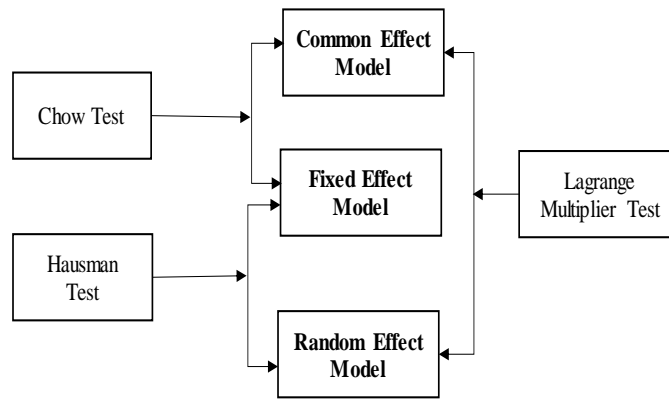
	KA	AT	RA	KOA
Mean	0.343137	2.911765	0.098039	1.039510
Median	0.000000	3.000000	0.000000	1.000000
Maximum	1.000000	6.000000	1.000000	1.500000
Minimum	0.000000	1.000000	0.000000	0.330000
Std. Dev.	0.477101	1.659673	0.298836	0.347917
Skewness	0.660813	0.454255	2.703460	-0.150994
Kurtosis	1.436674	1.997422	8.308696	2.263308
Jarque-Bera Probability	17.81041 0.000136	7.779854 0.020447	244.0224 0.000000	2.694121 0.260003
Sum	35.00000	297.0000	10.00000	106.0300
Sum Sq. Dev.	22.99020	278.2059	9.019608	12.22568
Observations	102	102	102	102

Source: Data processed by E-Views 12, 2024

Looking at the table above, it shows that the number of samples or observations in this study is 102 samples. The sample comes from 17 Company sample data with a 6-year observation period from 2017-2022.

- 1) The possible values for the Y variable (Audit Quality) are between 0.000000 and 1.000000. There is a standard deviation of 0.477101 and an average value of 0.343137 for the Y variable (Audit Quality).
- 2) The range of possible values for the X1 tenure audit variable is from 1,000,000 to 6,000,000. During the study, the mean value of the audit tenure variable (X1) was obtained of 2.911765 with a standard deviation of 1.659673.
- 3) For the X2 Audit Rotation Variable, 0.000000 is the lowest value and 1.000000 is the largest value. During the perception interval, X2 (Audit Rotation) averaged 0.098039 and varied by 0.298836.
- 4) The possible value range for the X3 Audit Committee variable is between 0.330,000 to 1.5,000,000. X3 (Audit Committee) has an average value of 1.039510 and a standard deviation of 0.347917 over the entire period.

**Panel Data Regression Analysis Techniques**



**Chow Test Results**

Table 3 Chow Test

Redundant Fixed Effects Tests  
Equation: Untitled  
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	138.840550	(16,82)	0.0000
Cross-section Chi-square	340.215238	16	0.0000

Cross-section fixed effects test equation:  
Dependent Variable: KA  
Method: Panel Least Squares  
Date: 06/17/24 Time: 13:25  
Sample: 2017 2022  
Periods included: 6  
Cross-sections included: 17  
Total panel (balanced) observations: 102

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.712404	0.174511	4.082289	0.0001
AT	0.011785	0.030032	0.392401	0.6956
RA	-0.140996	0.166815	-0.845225	0.4000
KOA	-0.374944	0.132439	-2.831076	0.0056

R-squared	0.086314	Mean dependent var	0.343137
Adjusted R-squared	0.058344	S.D. dependent var	0.477101
S.E. of regression	0.462974	Akaike info criterion	1.336135
Sum squared resid	21.00582	Schwarz criterion	1.439075
Log likelihood	-64.14289	Hannan-Quinn criter.	1.377819
F-statistic	3.085953	Durbin-Watson stat	0.143365
Prob(F-statistic)	0.030777		

Source : Data processed by E-Views 12, 2024

It can be concluded that this model uses a Proper Impact Model (FEM) which is more suitable than the Normal Impact Model (REM), because the Cross-Area Prob value is  $0.0000 < 0.05$ .

**Hausman Test Results**

Table 4 Hausman Test

Correlated Random Effects - Hausman Test  
Equation: Untitled  
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.793816	3	0.4245

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AT	0.001055	0.001096	0.000000	0.8487
RA	-0.090307	-0.091242	0.000002	0.4938
KOA	0.083286	0.072331	0.000051	0.1248

Cross-section random effects test equation:  
Dependent Variable: KA  
Method: Panel Least Squares  
Date: 06/17/24 Time: 13:30  
Sample: 2017 2022  
Periods included: 6  
Cross-sections included: 17  
Total panel (balanced) observations: 102

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.262342	0.061132	4.291427	0.0000
AT	0.001055	0.006594	0.159994	0.8733
RA	-0.090307	0.037206	-2.427227	0.0174
KOA	0.083286	0.053643	1.552601	0.1244

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.967474	Mean dependent var	0.343137
Adjusted R-squared	0.959937	S.D. dependent var	0.477101
S.E. of regression	0.095495	Akaike info criterion	-1.685583
Sum squared resid	0.747782	Schwarz criterion	-1.170882
Log likelihood	105.9647	Hannan-Quinn criter.	-1.477163
F-statistic	128.3711	Durbin-Watson stat	3.178600
Prob(F-statistic)	0.000000		

Source : Data processed by E-Views 12, 2024

Therefore, we cannot use the Fixed Effects Model (FEM) but rather the Random Effects Model (REM): the probability value is too high i.e.  $0.4245 > 0.05$ .

**Lagrange Multiplier (LM) Test Results**

Table 5 Lagranger Multiplier Test

Lagrange Multiplier Tests for Random Effects  
Null hypotheses: No effects  
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	214.1252 (0.0000)	2.954169 (0.0857)	217.0794 (0.0000)
Honda	14.63302 (0.0000)	-1.718770 (0.9572)	9.131753 (0.0000)
King-Wu	14.63302 (0.0000)	-1.718770 (0.9572)	5.639917 (0.0000)
Standardized Honda	15.56380 (0.0000)	-1.466037 (0.9287)	7.118037 (0.0000)
Standardized King-Wu	15.56380 (0.0000)	-1.466037 (0.9287)	3.680227 (0.0001)
Gourieroux, et al.	--	--	214.1252 (0.0000)

Source : Data processed by E-Views 12, 2024

Given that the value of the Breusch-Pagan Prob is  $0.0000 < 0.05$ , then the Random Effect The Model (REM) outperforms the Common Effect Model (CEM) in this scenario.

Table 6 Model Selection

Metode	Result	Conclusion
Chow Test	CEM vs FEM	FEM
Hausman Test	REM vs FEM	REM
Lagrange Multiplier Test	CEM vs REM	REM

Given the results of the Chow test, Hausman test and LM test, the best model in this test is REM.

**Result F (Simultaneous)**

Table 7 F (Simultaneous)  
Weighted Statistics

R-squared	0.083528	Mean dependent var	0.027252
Adjusted R-squared	0.055473	S.D. dependent var	0.098156
S.E. of regression	0.095394	Sum squared resid	0.891810
F-statistic	2.977277	Durbin-Watson stat	2.651465
Prob(F-statistic)	0.035252		

Source : Data processed by E-Views 12, 2024

In the table above, it can be interpreted well that the F value is determined at 2.977277 with the F table is 2.697423, then the F value is determined at  $2.977277 >$  the f table is at 2.697423 and the sig is  $0.035252 < 0.05$  so it tends to be reasoned that  $H_0$  is ignored and  $H_a$  is recognized, implying that the Audit Tenure, Audit Rotation and Audit Committee factors in this concentrate affect each other dependent variables, especially the quality of the Audit.

**Determination Coefficient Test Results (R2)**

Table 8 Determination Coefficient Test (R2)  
Weighted Statistics

R-squared	0.083528	Mean dependent var	0.027252
Adjusted R-squared	0.055473	S.D. dependent var	0.098156
S.E. of regression	0.095394	Sum squared resid	0.891810
F-statistic	2.977277	Durbin-Watson stat	2.651465
Prob(F-statistic)	0.035252		

Source : Data processed by E-Views 12, 2024

With this adjustment, an R-squared value of 5.5473% or 0.055473 was obtained. The quality of the audit was explained by the independent variables of AT, RA, and KA by 5.5473%, while the rest of the factors that were not included in this study accounted for 94.4527% of the total.

**Results of the Hypothesis Test (t Test)**

Table 8 Test t

Dependent Variable: KA  
 Method: Panel EGLS (Cross-section random effects)  
 Date: 05/09/24 Time: 19:18  
 Sample: 2017 2022  
 Periods included: 6  
 Cross-sections included: 17  
 Total panel (balanced) observations: 102  
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.273703	0.133281	2.053580	0.0427
AT	0.001096	0.006590	0.166244	0.8683
RA	-0.091242	0.037181	-2.454010	0.0159
KOA	0.072331	0.053166	1.360476	0.1768

Source : Data processed by E-Views 12, 2024

The analysis of the t-test is as follows:

- 1) Time required to conduct an audit Since the value of sig is 0.8683 > 0.05 and the value of t is 0.166244 < t table 1.983972, we can accept Ho and reject Ha. This proves that the Audit Tenure does not affect the quality of the Audit and H1 is rejected.
- 2) The H2 Audit Period was accepted in this study because the data showed that Audit Rotation had a negative effect on audit quality (t-value of 2.454010 compared to 1.983972 in the t-table, the sig value was 0.0159 < 0.05).
- 3) The Group in Charge of Audit With a sig value of 0.1768 > 0.05 and a calculated t value of 1.360476 t table of 1.983972, it can be concluded that Ha is wrong and Ho is correct. Since the Audit Committee has no effect on the quality of the audit, this study refutes H3.

### **Panel Data Regression Equation**

$$KA = 0.273703499013 + 0.00109558037867*AT - 0.0912419519508*RA + 0.0723311821908*KOA + [CX=R]$$

Explanation:

- 1) The consistent value obtained is 0.273703499013, assuming that the free factor increases by one large unit, the reliable variable will also increase by 0.273703499013.
- 2) If all other factors are constant, the regression coefficient of the audit tenure variable (X1) has a positive value of 0.00109558037867, meaning that the audit quality will increase by 0.00109558037867 for every increase in one unit of audit tenure.
- 3) The relapse coefficient in the Audit Rotation variable (X2) is (-) of -0.0912419519508 which indicates that the audit quality will be reduced by -0.0912419519508 for each audit rotation unit (X2) with the assumption that different factors are stable.

Assuming all other factors remain the same, namely an increase of 0.0723311821908, the result of an increase in one variable of the Audit Committee (X3), will have an impact on the quality of the audit. The regression coefficient (+) value of 0.0723311821908 shows this.

## **DISCUSSION**

### ***The Effect of Tenure Audit on Audit Quality***

After testing using E-Views 12 on the Audit Tenure variable (x1), the following results were obtained: sig=0.8683 > 0.05. Based on these findings, we accepted Ho and rejected Ha, because the audit period did not affect the quality of the audit. The results of this study The findings of this study corroborate previous research (Tasya Hervia Dewita and Erino NR, 2022) concluded that tenure audits have an impact on lowering audit standards. The assertion that tenure audits do not have a significant effect on audit quality is supported by research conducted by (Sanjaya & Anggraeni, 2023) This shows that the audit engagement period has no effect on the audit quality, and he assumes that businesses that are not satisfied with the auditor's performance will end the engagement period before the maximum limit set by the government. The fact that the business decides to terminate the engagement immediately if the expected quality is not achieved shows that the audit period has no effect on the quality of the audit.

This study contradicts the first assumption that there is a relationship between audit tenure and audit quality. (Priana et al., 2021) According to him, audit quality has a positive effect so that Evaluators better understand the elements of providing review services if the commitment period is longer, so that errors in the review are reduced. Public accounting procedures are regulated in Government Regulation Number 20 of 2015. In these guidelines, public bookkeepers are allowed to provide general review administration of monetary statements for a monetary period of 5 years. The independence of

auditors is feared to be disrupted by the length of time they work for clients. However, because there is less information asymmetry between auditors and clients during longer tenures, then the auditor's judgment will be better.

### ***The Effect of Audit Rotation on Audit Quality***

This study received H2 because the findings of the t-test for the Audit Rotation variable showed a negative effect on audit quality (sig = 0.0159 < 0.05, t-value = 2.454010 > ttable = 1.983972). Be consistent with research Previously, Permata and Astuti (2019), audit quality was negatively affected by audit rotation. They argue that the new auditor needs time to get to know the client's company's circumstances and has a lack of understanding of the client's company's risks. This shows that the change of auditor requires a period of time for the new auditor to understand the condition of the client company and the risks of the client company so that it can reduce the quality of the audit. The audit rotation carried out by the company is expected to reduce the possibility of closeness between auditors and clients so that it has an impact on improving audit quality. However, if the company rotates audits frequently, the auditor will have to readjust to the new environment and still have little understanding of its clients.

### ***The Influence of the Audit Committee on Audit Quality***

The results of the test using E-Views 12 questions rejected H3 because the audit committee variable obtained a sig value of 0.1768 > 0.05, in accordance with the previous research. As a result, we rejected Ha and accepted Ho, proving that the audit committee cannot affect the quality of the audit. Wardhani and Joseph (2010) stated that the existence of the audit committee has no effect on the quality of the audit because the members of the audit committee are only tasked with complying with Bappepam regulations, so their performance in maintaining the quality of financial statements cannot be done. Affected. Saepudin (2018) also failed to find a critical relationship between the review board and the quality of the review which is also in line with the research of Rustiarini (2012) which stated that the average number of review board members is 3 people, it turns out that it is not able to exert an influence. the internal control framework of the organization.

The results of this study are contrary to previous studies (Ismi Fauziyyah & National Development of Jakarta Veterans Correspondence, 2020) stated that the audit committee has a positive effect so that the committee board should be a data scaffolding to limit data imbalances by expanding the frequency of review panel meetings, so that the board is more successful in examining the organization and further developing the quality of the review. In accordance with POJK Number 55/POJK.04/2015, this committee is tasked with facilitating the responsibilities of the Board of Commissioners and holding regular meetings at least four times a year. The more often they hold meetings, the more dynamic the audit panel will be in completing its duties, obligations and obligations in providing enlightenment on bookkeeping and review issues, so that there is an improvement in audit quality.

## CONCLUSIONS AND RECOMMENDATIONS

### *Conclusions*

The following conclusions are obtained from the results of the research and presentation described in the previous section:

1. Audit quality is not affected by the duration of audits on logistics and transportation companies listed on the Indonesia Stock Exchange from 2017 to 2022.
2. After the audit rotation began in 2017, the audit quality of transportation and operating companies listed on the Indonesia Stock Exchange declined from 2017 to 2022.
3. Based on Indonesia's Securities Trading Data for 2017–2022, the Audit Committee does not have the right to determine the reliability of corporate audits in the transportation and strategy industries.

### *Recommendations*

1. The next study suggested adding other independent variables because the Adjusted R2 value is still low.
2. The next researcher is expected to expand the sample area and add a new period to the next study so that the results produced are more accurate
3. The researcher is further advised to use audit quality measurement with other models so that the results can be compared with the audit quality model in this study.

## ADVANCED RESEARCH

Some of the limitations in this study are as follows:

1. The low Adjusted R2 value of only 5.5% shows that there are still many other variables that have a large contribution to affecting audit quality.
2. The author's limitations in finding the Company's annual report on the transportation and logistics sector are not published consecutively on the IDX or on the website so that it affects the measurement of variables and the number of samples used is less than the total number of companies listed on the IDX.

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