

The Effect of Tenure Audit and Dysfunctional Behavior on Audit Quality

Rita Yuniarti⁺

Economic faculty, Widyatama University, Bandung, Indonesia

Abstract. The purpose of this research is to examine the factors that affect the quality of audits by proposing the hypothesis that the tenure audit and dysfunctional behavior affects the audit quality. In this research, the analysis unit is the junior and senior auditor who worked in Public Accounting Firm (KAP), the author conducted a survey on Public Accounting Firm (KAP) in Bandung, West Java, Indonesia. Tenure audit and dysfunctional behaviors jointly influence the quality of audits. Empirical test results indicate that the tenure audit does not significantly affect the quality of audit in public accounting firm in Bandung, a high quality audit due to the auditors who perform audits on auditee work as same last year. While the dysfunctional behavior significantly affects the auditing quality in public accounting firm in Bandung. The decline in audit quality due to the auditors who are not doing research on general accepted accounting principle.

Keywords: tenure audit, dysfunctional behavior, audit quality.

1. Introduction

To fulfill the needs of the concerned on the financial statements, the financial information that presented in financial statements must be audited by independent auditors. In the era of transparent and open, the auditor should be more responsible for the results of tests carried out, based on the code of ethics and professional standards (Nasrullah, 2003). Edy Sujana and Tjiptohadi (2006) defines the dysfunctional behavior as deviant that made the auditors in conducting audits, which include *premature sign-off* and *the underreporting of time*. The deviant behavior that carried out by the auditor may have resulted in the audit and will have an impact on the less confidence in the audit report.

An auditor is required to be able to produce high quality works, because the auditor has a great responsibility towards the parties concerned on the financial statements of an enterprise including the community. Not only depends on the client only, the auditor is qualified to inspect and test whether the financial statements have been presented fairly in accordance with generally accepted accounting principles (Dwi Ermayanti, 2010). The audit setting periods allows the effective implementation of the audit because the company can prepare the necessary data as early as possible, and by the time the audit was able to

⁺ Corresponding author. Tel.: +628122109403; fax: +62227201711
E-mail address: rita.yuniarti@widyatama.ac.id.

prepare so that the audit process will be more easy (Martono, 2008). Meanwhile, according to I Gusti (2008) that the audit who takes a period more than one year produces obsolete findings and recommendations.

According to Yudhishthira (2010) the option to “repeat audit”, or choose an auditor who has conducted audits of years ago, to conduct an return audit for the year concerned, will be the top choice for auditees, especially if the results of their opinion last year pretty good and the price assignment for this year is also quite fitting in the budget of the organization. The question then is: how many times can do a *repeat audit*? Why be limited?

The collusion between ENRON and KAP Arthur Anderson cause Arthur Andersen LLP (the United States member) are considered to be guilty in the Enron bankruptcy also affected. Member Arthur Andersen in several countries such as Japan and Thailand, have made the deal a merger with KPMG, Australia and New Zealand with Ernst & Young, and Spain with Deloitte Touche Tohmatsu. In America, the activity of all Andersen members is been frozen by the goverment. As a result, according to the *Asian Wall Street Journal* Andersen LLP clients move to different auditors (Soemarso, 2002).

2. Literature Review

2.1 Tenure Audit

According to Sinason, Jones, and Shelton (2001) tenure is the duration of the auditor's relationship with a client, the duration of auditor tenure may affect auditor independence in fact or appearance. The SEC Practice Section Executive Committee (AICPA 1992) noted an increased potential for problems to occur Pls Audits the auditor lacks a solid base of experience with client's business, operations and systems.

According to (Deist and Giroux, 1992, in Nasrullah), tenure is the length of periods that the auditor had conducted an examination of a unit / business unit / company or institution, while according to Widi (2009) that the tenure audit is the length of the auditor's cooperative relationship with the client. To maintain the independence of auditors, SOA (Sarbanes Oaxley Act) contains rules regarding the rotation of the audit every five years for audit partners, whom the GAO (General Accounting Officer) conducted an evaluation within 1 year of audit firm rotation and audit partner rotation. The results of the GAO research concluded that the rotation of audit firms have not needed, but the GAO also suggested that if the application of SOA is not effective in improving the quality of the audit, the audit firm rotation should be done (GAO, 2003).

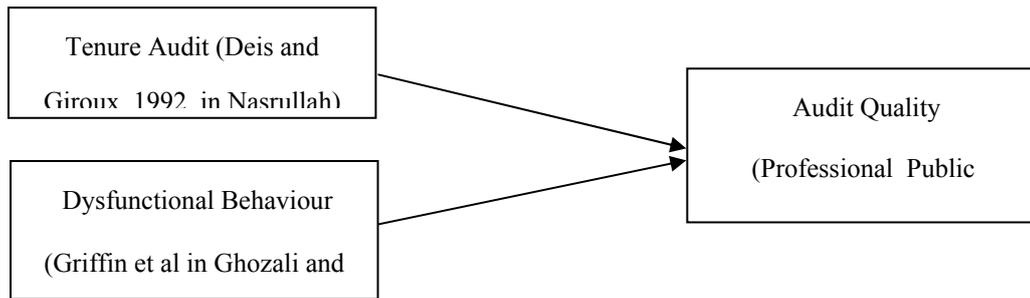
2.2 Dysfuctional Behaviour

Dysfunctional behavior is not just an irrational human tendency, but it could become more of a rational action to control and respond the existing processes (Hartmann, 2000 within Soobaroyen, 2006). Griffin et al in Ghozali and Setiawan, 2006, defines dysfunctional behavior as behavior that is motivated by an employee or group of employees who have negative consequences for individuals within the organization, groups of individuals within the organization, and or the organization itself. According to Jaworski and Young (1992), quoted by Soobaroyen (2006), dysfunctional behavior is defined as: "actions in which a subordinate [purposefully] attempts to manipulate elements of an established control system for his own purposes".

2.3 Audit Quality

In Guidlines on audit quality, define that quality is: "The degree to which a set of inherent characteristics fulfils requirements of an audit". According Riyatno (2007) that the audit quality is something that is abstract so it is difficult to measure and can only be perceived by the users of audit services, so there is no equal definition of audit quality. While DeAngelo in Ebrahim (2001) defines that the audit quality is: "The probability combined to detect and report material errors in financial statements"

3. Theoretical Framework



4. Research Metodology

The type of this research is descriptive verification, because it describes the variables and observes the correlation of these variables from the hypothesis that has been made systematically through statistical testing (Sugiyono, 2001). The population in this research the auditor in public accounting firm who registered by IAI (Indonesian Institute of Accountants) compartments public accountant in 2009 in Bandung as much as 27 Firms. The sampling technique used was purposive. Subject to be studied in this research is the auditor, and a respondent in this research are the auditor in the Firm in Bandung.

Data processing used by parametric statistical methods, the data of ordinal scale questionnaire, must be converted first into interval scale data scale. As one of the methods used is the method of successive interval (MSI). To test the validity of each item is used item analysis, correlate to score each item with a total score which is the sum of each score point. Next, Product Moment correlation value calculation results is compared with the r table, if the count is greater than r table, means Product Moment correlation for each item statement was valid. After testing the validity, then the next step is to perform reliability testing. In this study, testing the internal consistency reliability using the instrument, where the instrument is tested only once. The data obtained were analyzed, in this case used technique of Spearman Brown split (split half).

5. Data Analysis

In this research, the authors use multiple linear regression analysis, because not explain the presence or absence of a clear relationship between variables, so in this case the authors draw conclusions of connectedness among variables such as reason. The equation to be used is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Description:

- Y = Quality Audit
- X1 = Tenure Audit
- X2 = Dysfunctional Behavior
- β0 = Constant
- SSI = Regression Coefficient, n = 1.2
- e = Epsilon / Variable control

The SPSS 13.0 software for Windows is had been used in this research

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.970	.787		2.505	.018	.368	3.573		
	VAR00001	.219	.180	.208	1.216	.233	-.148	.585	.987	1.014
	VAR00002	-.141	.142	-.170	-.995	.327	-.431	.148	.987	1.014

a. Dependent Variable: VAR00003

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.283(a)	.080	.023	.68169	.080	1.393	2	32	.263	1.497

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1	1.295	2	.647	1.393	.263(a)
Regression	14.871	32	.465		
Residual	16.165	34			
Total					

a Predictors: (Constant), VAR00002, VAR00001

b Dependent Variable: VAR00003

Equation Model :

$$Y = 1.970 + 0.219 X_1 - 0.141 X_2 + \mathcal{E}$$

$$\mathcal{E} = \text{Errorvar} = 0.920, R^2 = 0.080$$

From the equation model above can be described as follows:

- 1) Regression coefficient of X_1 is 0.219, this shows that any increase in tenure audit variable for one unit of value will improve the quality of the audit for 0.219 units or 21.9% assuming other variables are constant.
- 2) X_2 is the regression coefficient -0.141 this shows that any increase in variable by one unit of dysfunctional behavior will reduce the value of audit quality for the unit value of 0.141 or 14.1% assuming other variables are constant.
- 3) Errorvar value that is equal to 0.920 shows the degree of influence by other factors beyond the dysfunctional behavior of tenure audit and audit quality that is equal to 92%. While the value of the coefficient of determination R^2 or a multiple of 0.080 shows the degree of influence of tenure audit and dysfunctional behavior of the overall audit quality that is equal to 8%.

6. Conclusion

The tenure audit affects the quality of audits. The longer tenure audit, the quality of audits will increase. High quality audit due to the audit work performed on the auditees the same as last year. Dysfunctional behavior affects the quality of audits. Dysfunctional behavior can degrade the quality of audits. Dysfunctional behavior of auditors that can degrade the quality of the audit is due to not doing research on general accepted accounting standart. Tenure audit and dysfunctional behaviors jointly influence the quality of audits.

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