THE INFLUENCE OF SIZE OF PUBLIC ACCOUNTING FIRM, AUDIT TENURE AND AUDIT FEE TOWARDS INDEPENDENCE OF EXTERNAL AUDITOR

SKRIPSI

Presented in partial fulfillment of the requirements for
The Bachelor’s Degree in Accounting

by:
Jenete Leticia Lopes Carvalho
008201500056

FACULTY OF BUSINESS
ACCOUNTING STUDY PROGRAM
PRESIDENT UNIVERSITY
CIKARANG, BEKASI
2019
PLAGIARISM CHECK RESULT

"FACTORS THAT AFFECT TO INDEPENDENCE OF EXTERNAL AUDITOR"

<table>
<thead>
<tr>
<th>SIMILARITY INDEX</th>
<th>INTERNET SOURCES</th>
<th>PUBLICATIONS</th>
<th>STUDENT PAPERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>17%</td>
<td>9%</td>
<td>6%</td>
<td>12%</td>
</tr>
</tbody>
</table>

PRIMARY SOURCES

1. **Submitted to President University**  
   Student Paper  8%

2. **www.scribd.com**  
   Internet Source  2%

3. **Submitted to Universitas Diponegoro**  
   Student Paper  1%

   Publication  1%

5. aimos.ugm.ac.id  
   Internet Source  1%

6. **Submitted to Udayana University**  
   Student Paper  <1%

7. repository.uinjkt.ac.id

www.maastrichtdebates.net


Uus Ahmad Husaeni. "The influence of marketing mix on decisions to be a Islamic banking customer in Cianjur district", International Journal of Business Competition and Growth, 2018
<table>
<thead>
<tr>
<th>#</th>
<th>Source</th>
<th>Type</th>
<th>Source URL/Site</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Submitted to Fakultas Ekonomi Universitas Indonesia</td>
<td>Student Paper</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>14</td>
<td>Submitted to School of Business and Management ITB</td>
<td>Student Paper</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>15</td>
<td>Submitted to Universitas Islam Indonesia</td>
<td>Student Paper</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>16</td>
<td><a href="http://www.matec-conferences.org">www.matec-conferences.org</a></td>
<td>Internet Source</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>17</td>
<td>etheses.uin-malang.ac.id</td>
<td>Internet Source</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>18</td>
<td>Muhamad Muslih, Nunik Destria Arianti, Ahmad Husen, Dudih Gustian et al. &quot;Marketing strategy with linier regression to the interest of new students&quot;, 2017 International Conference on Computing, Engineering, and Design (ICCED), 2017</td>
<td>Publication</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>19</td>
<td>docplayer.net</td>
<td>Internet Source</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>20</td>
<td>Submitted to Universiti Teknologi MARA</td>
<td>Student Paper</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>21</td>
<td>repository.upi.edu</td>
<td>Internet Source</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>#</td>
<td>Source Description</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>-------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Submitted to Universiti Tunku Abdul Rahman (Student Paper)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Submitted to University of Huddersfield (Student Paper)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>eprints.uny.ac.id (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Submitted to Asia Pacific University College of Technology and Innovation (UCTI) (Student Paper)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>hrmars.com (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>koms.i.staff.gunadarma.ac.id (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>media.neliti.com (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>repository.unhas.ac.id (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Submitted to Help University College (Student Paper)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>scripties.umcg.eldoc.ub.rug.nl (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td><a href="http://www.emrbi.org">www.emrbi.org</a> (Internet Source)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

www.ifac.org
<table>
<thead>
<tr>
<th></th>
<th>Internet Source</th>
<th>&lt;1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>ejournal.unsrat.ac.id</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>34</td>
<td>mptra.uno-univ-muenchen.de</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>35</td>
<td>e-journal.uajy.ac.id</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>36</td>
<td>es.scribd.com</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>37</td>
<td><a href="http://www.religionomics.com">www.religionomics.com</a></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>38</td>
<td>Mine Planning and Equipment Selection, 2014.</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>39</td>
<td>eprints.undip.ac.id</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>40</td>
<td>repository.unib.ac.id</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>41</td>
<td>Siti Barioh. &quot;The Influence of Parents’ Involvement on Children with Special Needs’ Motivation and Learning Achievement&quot;, International Education Studies, 2018</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>
DECLARATION OF ORIGINALITY

I hereby declare that the thesis entitled:

THE INFLUENCE OF SIZE OF PUBLIC ACCOUNTING FIRM, AUDIT TENURE AND AUDIT FEE TOWARDS INDEPENDENCE OF EXTERNAL AUDITOR

It is true of my own work or not plagiarism of the work of other. If in the future proved that this scientific work is not my own work, or plagiarism of the work of others, then I am willing to accept sanctions in accordance with applicable laws and regulations.

Cikarang, 14 April 2019

Jenete Leticia Lopes Carvalho
PANEL OF EXAMINERS APPROVAL

THE INFLUENCE OF SIZE OF PUBLIC ACCOUNTING FIRM, AUDIT TENURE, AND AUDIT FEE TOWARDS INDEPENDENCE OF EXTERNAL AUDITOR.

submitted by Jenete Leticia Lopes Carvalho, Accounting Study Program, Faculty of Business, has been assessed and proved to pass the oral examination held on 15 of May 2019.

Panel of Examiner,

Advisor

(Andi Ina Yustina, M.Sc., CMA.)

Examiner 1

Examiner 2

(Dr. Ika Pratiwi Simbolon, SE., MM.)

(Dr. Josep Gutting, SE., MM., CFA)

Approved By

₁₃ Ḧun. 2₀₁₉

Date: ........................................

Stempel

(Andi Ina Yustina, M.Sc., CMA.)

FACULTY OF BUSINESS

Head of Study Program

viii
ACKNOWLEDGEMENT

First of all, I would like to thank God Almighty for giving me the strength, knowledge, ability and opportunity to complete my thesis, defense and comprehension tests. Without his blessing, this achievement would not have been possible. This thesis is one of the requirements for Author to fulfill her bachelor’s degree in Accounting study program in President University

In this opportunities, I would like to thank you for all the assistance, guidance and infinite advice from the beginning to the completion of this thesis. Therefore, on this opportunities i would like to express my gratitude to:

1. Mrs. Dr. Maria Jacinta Arquisola, BA, MHRM as a Dean of Faculty of Business in President Univeersity.

2. Mrs. Andi Ina Yustina, M. Sc., CMA as the Head of Accounting Study Program in President University.

3. Mrs. Imas Nurani Islami, S.Pd, M,Sc as my thesis advisor for her time and patience in guiding and advising me since the beginning.

4. My beloved Parents Mr. Diamantino Carvalho and Mrs. Leonia Ximenes Lopes, and my beloved sisters Nidia Carvalho and Leonorinha Carvalho
   Thank you for all prayers, support, motivation and advices during my study.
5. To all my family and close friends thank you for the support and prayers during study.

6. To my unbiological sister Caroline Fenny, Cindy Saputra, and Ignatia Gladys, thank you for listening, offering me advice and supporting me through this entire process and also Genk Gong Kowandi (Daniel, Gerwyn, Valen and Yansen), thank you for the amazing memories that we’ve been shared since day one.

7. To Anin Tau-Fui and Parent’s Thank you for took a good care of me when I’m away for my parents and also thank you for motivation and supporting.

8. All Accounting lecturers in President University that gave me much knowledge about Accounting and others.

9. Accounting students’ batch 2015 in President University for all the shared experiences, lessons, opportunities and helps.

Author realizes there are still deficiencies in this thesis. Therefore, suggestions and recommendations will be helpful to develop this thesis better. Finally, Author hopes this thesis will be beneficial for many people. Thank you.

Cikarang, 14 April 2019

Jenete Leticia Lopes Carvalho
# TABLE OF CONTENT

PLAGIARISM CHECK RESULT .............................................................................. i
DECLARATION OF ORIGINALITY ................................................................... Error! Bookmark not defined.
PANEL OF EXAMINERS APPROVAL ............................................................. Error! Bookmark not defined.
ACKNOWLEDGEMENT ....................................................................................... 8
RECOMMENDATION LETTER FROM THESIS ADVISOR. Error! Bookmark not defined.
TABLE OF CONTENT ....................................................................................... 10
LIST OF TABLES ................................................................................................. 13
LIST OF FIGURES ................................................................................................. 14
LIST OF APPENDICES ......................................................................................... 15
ABSTRACT .............................................................................................................. 1
INTISARI ............................................................................................................... 2
CHAPTER I INTRODUCTION ............................................................................. 3
  1.1 Background of the study ............................................................................. 3
  1.2 Research Question ...................................................................................... 7
  1.3 Research Objective ..................................................................................... 7
  1.4 Research Scope and Limitation ................................................................... 8
  1.5 Research Benefits ...................................................................................... 8
CHAPTER II LITERATURE REVIEW ............................................................... 10
  2.1 Independence of External Auditor ............................................................ 10
  2.2 Size of Public Accounting Firm ............................................................... 12
  2.3 Audit Tenure .............................................................................................. 13
  2.4 Audit Fee ................................................................................................... 14
  2.5 Hypothesis Development ......................................................................... 16
    2.5.1 The effect of Size of Public Accounting Firms towards Independence of External Auditor .................................................. 16
2.5.2 The effect of Audit Tenure towards Independence of External Auditor ................................................................. 17

2.5.3 The effect of Audit Fee towards Independence of External Auditor ................................................................. 19

2.6 Research Framework ........................................................................................................................................ 20

CHAPTER III RESEARCH METHOD .................................................................................................................... 21

3.1 Data Collecting and Processing ......................................................................................................................... 21

3.1.1 Data Collecting .............................................................................................................................................. 21

3.1.2 Population and Sample ................................................................................................................................ 22

3.2 Operational Variables and Measurement ......................................................................................................... 23

3.2.1. Variable Dependent (Y) ................................................................................................................................ 24

3.2.2. Variable Independent (X) .............................................................................................................................. 24

3.2.2.1 Size of Public Accounting (X1) .................................................................................................................... 24

3.2.2.2 Audit Tenure (X2) ......................................................................................................................................... 25

3.2.2.3 Audit Fee (X3) ............................................................................................................................................. 25

3.3 Statistical Analysis ............................................................................................................................................. 26

3.3.1 Descriptive Statistics Analysis ....................................................................................................................... 26

3.3.2 Data Quality Test ............................................................................................................................................ 27

3.4 Classical Assumption Test .................................................................................................................................. 28

3.4.1 Normality Test .................................................................................................................................................. 28

3.4.2 Multicollinearity Test ...................................................................................................................................... 29

3.4.3 Heteroscedasticity Test .................................................................................................................................. 30

3.4.4 Multiple Regression Analysis .......................................................................................................................... 31

3.5 Hypothesis Test ................................................................................................................................................... 32

3.5.1 T-Test ............................................................................................................................................................... 32

3.5.2 F-Test ............................................................................................................................................................... 34

3.5.3 Coefficient Determination ................................................................................................................................ 35

CHAPTER IV RESULT ANALYSIS, DISCUSSION AND IMPLICATION ............................................................... 37

4.1. Data Description .................................................................................................................................................. 37

4.2. Descriptive Statistic ................................................................................................................................................ 41

4.3. Data Quality Test ................................................................................................................................................ 43

4.3.1. Validity Test .................................................................................................................................................. 43

4.3.2. Reliability Test ............................................................................................................................................... 45
4.4. Classical Assumption Test ................................................................. 46
  4.4.1. Normality Test .............................................................................. 46
  4.4.2. Multicollinearity Test ................................................................. 47
  4.4.3. Heteroscedasticity Test ............................................................... 49
4.5. Multiple Linear Regression Test ......................................................... 50
4.6. Hypotheses Testing ............................................................................. 52
  4.6.1. T-Test .............................................................................................. 52
  4.6.2. F-Test .............................................................................................. 53
  4.6.3. Coefficient of Determination ....................................................... 54
4.7. Interpretation of Result....................................................................... 55
  4.7.1. Size of public accounting firm affect towards independence of
         external auditor .................................................................................. 55
  4.7.2. Audit tenure affect towards independence of external auditor ...... 56
  4.7.3. Audit fee affect towards independence of external auditor .......... 58
CHAPTER V CONCLUSIONS AND RECOMMENDATIONS .............................. 59
  5.1 Conclusion .......................................................................................... 59
  5.2 Limitations of the study ...................................................................... 60
  5.3 Recommendation and Future research ................................................. 61
REFERENCES ............................................................................................... 63
APPENDICES ................................................................................................ 67
LIST OF TABLES

Table 3.1 Sample Proportion.........................................................................................22
Table 3.2 Multicollinearity Test.....................................................................................29

Table 4.1 Research Questionnaire..................................................................................37
Table 4.2 Variable Descriptive Statistics........................................................................41
Table 4.3 Validity Test Result .........................................................................................44
Table 4.4 Reliability Test Results.....................................................................................45
Table 4.5 Normality Test .................................................................................................47
Table 4.6 Multicollinearity Test Result............................................................................48
Table 4.7 Multiple Linear Regression Test Result............................................................50
Table 4.8 T-Test Result.................................................................................................52
Table 4.9 F- Test result .................................................................................................53
Table 4.10 Coefficient of Determination result ...............................................................54
LIST OF FIGURES

Figure 2.1 Research Framework .................................................................21

Figure 4.1 Respondent’s Workplace ............................................................38
Figure 4.2 Respondent’s Workplace ............................................................39
Figure 4.3 Respondent’s Age ......................................................................40
Figure 4.4 Respondent’s Gender .................................................................40
Figure 4.5 Heteroscedasticity Test with Scatterplot .....................................49
LIST OF APPENDICES

Appendix 1 - Research Sample .................................................................67
Appendix 2 - Result of Data Collecting ..................................................72
Appendix 3 - Result of Descriptive Statistic ..........................................72
Appendix 4 - Result of Data Quality Test ..............................................73
Appendix 5 - Result of Classical Assumption Test ...............................74
Appendix 6 - Result of Hypotheses Testing ..........................................76
ABSTRACT

Understanding about the independence is a necessity to control the attitude in a profession, especially as auditor. This research was conducted to analyze the factors that influence the independence of external auditors, which is in this research, there were three factors that can influence the independence of external auditors, namely the size of the public accounting firm, audit tenure, and audit fees. This research aims to prove the influence of the size of the public accounting firm, audit tenure, and audit fee towards independence of external auditors partially. This research was conducted at a public accounting firm in the city of Jakarta. This research uses multiple linear regression analysis. The data used are primary data by distributing questionnaires directly to auditors working at the Public Accountant Firm in Jakarta. The sample used was 120 respondents obtained from the public accounting firm in the Jakarta area. Tests are carried out in three stages, namely validity and reliability test, classic assumption test and hypothesis test. The analytical tool used is multiple linear regression analysis using SPSS version 23. The results of the research show that the variable size of the public accounting firm, audit tenure, and audit fee has a significant effect on the independence of external auditors in the Public Accountants office in Jakarta.

Keywords: Size of Public Accounting Firm, Audit Tenure, Audit Fee, Independence of External Auditor
INTISARI


Keywords: Ukuran Kantor Akuntan Publik, Masa Jabatan Audit, Biaya Audit, Independensi Auditor Eksternal
CHAPTER I
INTRODUCTION

1.1 Background of the study

The independence of public accountants has recently become worse to the point of causing bankruptcy and corporate scandals in various companies in the world such as the case of Enron and Arthur Anderson in America. This situation happened due to the lack of an independent attitude on public accountants who conduct audits on financial statements. Even though financial statements are an important aspect of the company to attract investors to be interested in investing in a company and as a basic foundation that can be used in decision making by the users of information (Kasidi, 2007).

According to Christiawan (2002), auditor has obligation to have independence towards shareholder of the company, creditors and other related parties who relies on the information of audited financial statements by public accountants. According to, Mulyadi (2002), independence is a rational perspective, which should not be influenced by others and not depend on the other people’s perspective. In addition, independence is mentioned in one of the three general auditing standard which is set by Ikatan Akuntansi Indonesia (IAI), which states that independence in rational perspective should be asserted by auditors while conducting audit engagement.
The auditor should be an independent person and not be being influenced by the others, for instance, the management. Since the management wants the auditor to give the best audit judgment. Therefore, there are rules to maintain the independence of auditor, such as code of ethics and audit standards. The code of ethics is intended to maintain the behavior of auditors in carrying out their duties, while the audit standards are intended to maintain the quality of audit results carried out by auditors. With these rules, the public or report users can assess the extent to which government auditors have worked in accordance with established standards and ethics, Sukriah et al., (2009).

The independence of the external auditor is one of the most important issues the audit has received considerable attention since the very beginning of the composition of the audit profession, because the external auditor is seen as a pivotal player in advising the management of corporate and organizations to perform their roles in a correctly manner; to be able to carry out their functions in a responsible and professional manner, the importance of independence of the external auditor cannot be overemphasized. In light of this, it was important to understand the factors that have the ability to influence the audit exercise by hampering the independence of the external auditor

Prior research has been done to investigate several factors that affecting the independence of auditor. Yudiasmoro (2007) has examined six factors that affect the auditor’s independence, such as financial bond
interests and business relationships with clients, competition to audit clients among public accounting firms, provision of other business services, length of auditor-client relationship (tenure), size of public accounting firms, and audit fees. Kasidi (2007), examined five factors related to the causes that influence the independence of external auditor, which are; size of public accounting firm, audit tenure, amount of audit service fees, management consulting, and existence of audit committee. However, Yudiasmoro (2007) and Kasidi (2007), has investigated several factors that affect independence of external audit but the has not correlate these several factor to independence of external auditor such as audit fee. In this current research is intended to provide an overview of auditor independence when faced with the size public accounting firm, audit tenure and audit fees from the perceptions of auditors who worked at public accounting firm. Another researched by Carren (2013) stated that audit firm size, audit tenure, and audit committee commitment have influenced in independence of external auditor. Last, Albashk (2007), has examined the factors that influence to independence of external auditor, such as; immensity of audit firm, providing non-audit services, length of auditor-client relationship, and level competition in the audit service market. However, in this study, the researcher wants to modify the research by Albashk (2007) using the reputation of public accounting firm and audit tenure as the variables, with the audit fee as the new variable that has not been investigated by other researchers during the study period.
According to AICPA (2002) (American Institute of Certified Public Accountant), the large of the public accounting firm can be seen by how many go-public companies that have been audited by the public accounting firm. Meanwhile, the public accounting firm is considered small if the public accounting firm has not conducted an audit of a go-public company. Large public accounting firms tend to have better resources, such as financial, technology and human capital. In addition, larger audit firms usually engage with larger client, which enable the auditors to resist the pressure from management. While smaller public accounting firms are used to give more personalize services due to limited client portfolios.

Audit tenure is period of time for auditor to complete the audit engagement in company. The long audit relationship between auditor and the client has a potential to make the auditor satisfied with what that has been done, and the procedure of audit performs become less assertive and always depeasnd on the management statement Elfarini (2007). As express by Djamil (2000), the longer the auditor has audited the lower the audit quality produced would be. In addition, the auditor could be fail to maintain a professional attitude.

Audit fees also affect to independence auditor Yuniarti (2011) stated that audit fee is determined by the complexity of client’s business cycle, risk during engagement, proficiencies, and other considerations. As expressed by Subroto (2003), the independence of public accounting firm could be influenced by audit fee. As high as the amount of audit fee, it might be
difficult for public accounting firms to against the client’s will. Meanwhile, the small audit fee may lead to limitation of time and expense in completing the audit procedures. From the explanation above, the researcher is interested to conduct a research which entitle “THE INFLUENCE OF THE SIZE OF PUBLIC ACCOUNTING FIRM, AUDIT TENURE, AND AUDIT FEE TOWARDS INDEPENDENCE OF EXTERNAL AUDITOR”

1.2 Research Question

1. Does the size of public accounting firms affect to independence of external auditor?

2. Does audit tenure affect to independence of external auditor?

3. Does the amount of audit services (audit fee) that paid by clients to public accounting firms affect independence of external auditor?

1.3 Research Objective

1. To determine the factors that affect to size of public accounting firm toward the independence of external auditor.

2. To determine the factors that affect to audit tenure toward the independence of external auditor.

3. To determine the factors that affect to audit fee toward the independence of external auditor.
1.4 Research Scope and Limitation

Scope

This research was carried out to analyzed the influence of the factors that affect independence of auditor, from auditors who worked at public accounting firms located in Jakarta, and divided into two according to size; big four of public accounting firm and non - big four of public accounting firm.

Limitation

The limitations of this research is focused on auditors who worked in public accounting firms that located in Jakarta. Auditor who has position junior auditor, associate auditor, and senior auditor. Auditors who have completed their education in accounting, at least Bachelor.

1.5 Research Benefits

There are some benefits by doing this research, as following:

1. For Researcher

This research is expected give contribution empirically to the perception of independence in the appearance of public accountants.

2. For External Auditors

This research is expected to be used as reflection of the extent of auditor performance, especially if the result turns out that the independence of public accounting firms is perceived as not independent, so the auditor of public accountants must be able to improve their performance to
change their perceptions into positive perceptions on the wide community.

3. For Academic

This research could be one of the references for the future research to make the upcoming research about factors that affect independence of external auditor.
CHAPTER II

LITERATURE REVIEW

2.1 Independence of External Auditor

Independent is a rational perspective, which should not be influenced by others and not depend on the other people’s perspective. The existence fact of the independence objective of the external auditor can be interpreted as honesty of the auditor by considering the facts and the existence of an impartial objective in formulating and expressing audit opinions (Mulyadi 2002).

According to Arens (2009), independence is not an unbiased perspective on practical testing, evaluate the result of examination and the preparation of the audit reports. Elements of the independency public accounting are as follows:

1. Public confidence in the integrity, objectivity and independence of public accountants from other parties.
2. Trust public accountant on them self that is their professional integrity.
3. The ability of the CPAs increases the credibility of the statement on the financial statements.

Sukrisno Agoes (2004) explained three characteristics of the independence of the auditor, as follow:

1. Independence in mind, which means auditor should be honest in conducting the audit procedures.
2. Independence in appearance, which describes the perspective of people toward auditor. Auditors need to maintain their attitude in order to keep the trust of the society.

3. Independence in competence, which explains the ability of auditor in conducting the audit procedures fairly and accurately.

According to Supriyono (1988), the conclusion of the importance of the independence in public accounting firms as follows:

1. Independence is a very important condition for the profession of public accountants to begin the fairness of information presented by management to information users.

2. Independent is needed by public accountants to gain the trust of clients and the community, especially users of financial statements.

3. Independence is obtained in order to increase the credibility of financial statements.

4. If the public accountant is not independent, the opinion that given by them is meaningless or has no value.

5. Independence is an important dignity, accountant, and a sustainable public must be considered.

From the explanation above authors conclude that Independent is a rational perspective, which should not be influenced by others and not depend on the other people’s perspective. The existence fact of the independence objective of the external auditor can be interpreted as honesty of the auditor by considering the facts
and the existence of an impartial objective in formulating and expressing audit opinions

### 2.2 Size of Public Accounting Firm

Based on the Indonesia law No.5 of 2011, the Public Accountant Firm is a business entity established based on the provisions of legislation and obtaining a business license based on the provisions of legislation and obtaining a business license under this Act. While, Minister of Finance Regulation No.17 / PMK.01 / 2008, states that a Public Accountant Firm is company who receive an authorization from the ministry of finance to provide audit service. Arens, *et al* (2003), said that the classification of the size of the public accounting firm can be seen by most of affiliated accounting firms or by having branches and large corporate clients having professionals above 25 people. It is said to be small if it is not affiliated, does not have a branch office and clients are small companies and the number of professionals is less than 25 people.

According to Haryono (2008), there are two types of Public Accounting Firm that registered in Indonesia law and regulation, such as;

1. **Public Accounting Firm** in the form of own business. This type of public accounting firm uses public accountant’s name.

2. **Public Accounting Firm** in the establishment of corporation. This type of public accounting firm uses maximum three names of public accountants who become the partners in that public accounting firm.

According to Sudarto (2012), Public Accounting Firm that stated in Indonesia law and regulation are divided into two groups, namely Public Accounting Firm
affiliated with Big Four and Public Accounting Firm which are not affiliated with
Big Four. The Big Four of Public Accounting are;

1. *Ernst & Young* (EY) affiliated with Purwantono, Suherman & Surja
   (PSS).
2. *PricewaterhouseCoopers* (PwC) affiliated with Tanudiredja, Wibisana &
   Rekan.
3. *Deloitte Touche Tohmatsu* (Deloitte) affiliated with Osman Bing Satrio
   & Rekan.
4. *Klynveld Peat Marwick Goerdeler* (KPMG) affiliated with Siddharta
   Siddharta & Widjaja.

From the explanation above the authors conclude that Public Accountant
Firm is a business entity established based on the provisions of legislation and
obtaining a business license to provide a service. Based on Indonesia law and
regulation public accounting firm are divided into two groups; such as Big Four
and Non-Big Four. The classification of the size of the public accounting firm
could be seen by having branches and large corporate clients.it could be said small
if public accounting does not have branches and corporate clients.

### 2.3 Audit Tenure

Audit tenure is the relationship of working time period between a client and
the auditor. When auditor has audited a client for years, client is assumed as a source
of income for auditors which potentially decrease auditor’s independence, (Yuvisa,
Rohman, & Handayani, 2008).
Based on the law regulation of department of minister of finance No. 423 / KMK.06 / 2002 regarding public accountant services, the limit of working time period of auditor is maximum 3 years with the same client, while for the public accounting firms it may be up to 5 years. The purpose of this limitation is to avoid the scandals that might be happen because of the closeness between auditor and the client.

According to Blandon and Bosch (2015), found that the length of audit tenure, will decrease the quality of audit. The long relationship between auditors and their clients can potentially create closeness between them, thus obstructing auditor independence and can reduce audit quality.

From the explanation above authors conclude that the long relationship of working time period between a client and auditor can result the identification of the accountant firm in accordance with the interests of the client company which is an indication that independence will be increasingly difficult to enforce. In some cases, a strong threat to auditor independence is the emergence of slow and gradual erosion of honest objectivity. Arrogance, lack of innovation, less strict audit procedures and the intellectual trust of the client that will occur connection.

2.4 Audit Fee

According to Mulyadi (2002), The amount of the audit fee paid by the client can depends the complexity of client’s business cycle, risk during engagement, proficiencies, and other considerations. Public accountant firm are not allowing to
offer the fee to obtain the client's, because it could be ruin the viewpoint of the profession.

EFAA (European Federations of Accountants and Auditor), states that the higher costs amount of audit service getting by public accounting firm can be affect high risk of the loss of auditor independence. As express by IFAC (International Federation of Accountant), Total audit fees from clients cannot exceed the percentage of total money turnover in the public accounting firm).

According to Cahyadi (2013), The amount of audit services paid by the client could be affects to the independence of public accountants because the auditor feels dependent on the client so that they are reluctant to oppose the client's wishes, the accountant office is afraid of losing clients that bring relatively large income if the accounting firm does not comply.

From the explanation above authors conclude that size of audit fee can depend on the complexity of client’s business cycle, risk during engagement, proficiencies, and other considerations.
2.5 Hypothesis Development

2.5.1 The effect of size of public accounting firms towards independence of external auditor.

The classification of the size of the public accounting firm can be seen by most of affiliated accounting firms or by having branches and large corporate clients having professionals above 25 people. It is said to be small if it is not affiliated, does not have a branch office and clients are small companies and the number of professionals is less than 25, Arens (2003). A large public accounting firm is more independent than a smaller public accounting firm, because, the loss of one client of big accountant's firm not so effect on their opinion, while the loss of one client of small accountant's firm is very meaningful because of few client, Arens (2003).

According to Shockley 1981 in Prakoso (2012), most empirical studies attempt to find a relationship between the size of the public accounting firm and the independence of auditors, it turns out there is a positive relationship between the two. There is a positive relationship between the two means that the greater the public accounting firm is, the greater the independence of the auditor. They prove that large-sized public accounting firms are more resistant to client pressures, so they can maintain their independence, even though in fact there is an argument, that because of the large size of public accounting firms they may be able and motivated to provide better audit reports, not the correct audit report.
While (Barlev, 1974) in Kasidi (2009), state that people should not conclude that large public accounting firms will be immune to client pressure, competition between public accounting firms in finding clients is same as competition between small public accounting firms and independent. In addition, there are still several courts that discuss cases that oppose the assumption that the public accounting firm acts independently which shows that the use of a public accounting firm is not a guarantee of its ability to withstand pressure caused by clients, such as the scandal enron by arthur and anderson.

From the explanation above authors conclude that The classification of the size of the public accounting firm could be seen by having a small or large the branches corporate clients. A large public accounting firm is more independent than a smaller public accounting firm because, the loss of one client of big accountant's firm not so effect on their opinion, while the loss of one client of small accountant's firm is very meaningful because of few clients.

\[ H1: \text{Size of Public Accounting Firm has a positive impact toward Independence of External Auditor.} \]

2.5.2 The effect of audit tenure towards independence of external auditor.

AICPA (American Institute of Certified Public Accountants) states that the length of the audit of assignment partner of a public accounting firm
to a client is determined to be: (1) Five years or less. (2) More than five years.

In Indonesia, the length of the audit relationship with the client has been stipulated in the Minister of Finance Decree No.423 / KMK.06 / 2002 concerning public accountant services. The ministerial decree limits working period of an auditor maximum of 3 years for the same client, while for the Public Accounting Firm it may be up to 5 years. In this condition, how long auditor audited the clients will affect the mental attitude of the auditor. As the relationship of the client-auditor lengthen, there is doubt about the independency of the auditor. Since the auditor have the opportunity to audit the same client for a maximum 3 years.

The length of the relationship between the public accounting firm in providing services to meet the needs of the client company will have the effect of losing the independence of the audit, Kasidi (2007). In some cases, the threat to auditor independence is to slowly reduce honest objectivity. Audit relationships that are too long with the same client, affect the independence of the public accountant, Irawati (2011).

Form the explanation above authors conclude that the length of the audit of assignment partner of a public accounting firm to a client is determined to be five years or less and more than five years, if a partner who gets more than five years of audit assignments to certain clients is considered too long, so it is possible to have a negative influence on
independence auditor, because the longer the auditor's relationship with the client will cause a strong emotional bond to arise. If this occurs, then an auditor who should be independent in giving his opinion tends to be independent.

**H2: Audit Tenure has a negative impact toward Independence of External Auditor.**

### 2.5.3 The effect of audit fee towards independence of external auditor

Audit fee is a fee that must be borne by the client that has received services from a public accounting firm (Halim, 2002).

According to Mariyati (2011), a parties who argue that the large audit fee can reduce independence of auditor. Based on the following reasons; (1) The size of the audit fee could be affected to auditor independence, because the accountant's firm that receive a large audit fees will feel dependent on the client and unwilling to oppose the client's opinion, even though the client's opinion may not be in accordance with accounting principles. (2) The public accounting firm that receives a large audit fee from a client is afraid of losing the client because they will lose a large portion of their income so that the accounting firm tends to be not independent. (3) The accounting firm tends to provide a large "counterpart fee" to one or several key audited officials, even though it is prohibited by the code of ethics, so this action tends to lead to non-independent relationships with its clients.
According to Mariyati (2011), the small audit fees may result the public accounting firm being more independent because; (1) The accounting firm that doesn't feel dependent on certain clients is more daring to oppose the client desire that not obey with generally accepted accounting principles or inspection norms account. (2) The loss of clients whose audit fees are small doesn't result in a relatively large decrease in the accounting firm's income.

From the explanation above authors conclude that the higher costs amount of audit service getting by public accounting firm can be affect high risk of the loss of auditor independence.

\( H3: \text{Audit Fee has a negative impact toward Independence of External Auditor} \)

### 2.6 Research Framework

From the explanation above the researcher illustrate the theoretical framework, as follows:

![Diagram showing the research framework](attachment:diagram.png)
CHAPTER III
RESEARCH METHOD

3.1 Data Collecting and Processing

3.1.1 Data Collecting

This study uses primary data in the form of questionnaires as reference material for analysis in primary data collection. Sugiyono (2001) states that the researcher distributed questionnaires to the respondents by a
mail questionnaire and sending written questionnaires by post or email. For this research, the researcher uses online distribution.

3.1.2 Population and Sample

Sugiyono (2013), define that population is a generalization of region consisting of: objects/subjects that have certain qualities and characteristics. That set by the researcher to be investigated and then make conclusions. The population this research is focused on auditor who worked in public accounting firms in Jakarta, that classified into two categories; Big Four and Non-Big Four.

The sample is part of the number and characteristics of the population (Sugiyono, 2013). This research used purposive sampling due only specific types of sample which are provide the necessity of information. In determining the sample, the researcher set criteria and purposes of the study. These are the following criteria of the samples:

1. Auditors who worked in public accounting firms located in Jakarta.
2. Auditor who has position junior auditor, associate auditor, and senior auditor.
3. Auditors who have completed their education in accounting, at least Bachelor.

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Number of samples</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The researcher set the confidence interval 95% with 5% margin of error for this study. Sekaran and Bougie (2011) state that the sample size larger than 30 and less than 500 are adequate for most research.

### 3.2 Operational Variables and Measurement

This study consists of two variables, which are dependent variables and independent variables. The dependent variable is the type of variable that is influenced by the independent variable, while the independent variable is the type of variable that influences other variables (Sugiyono, 2016). The dependent variable used in this study is independence of external auditor denoted by the letter Y, while the independent variables are the size of the public accounting firm, audit tenure, and audit fee, which represented by letters $X_1$, $X_2$, and $X_3$.

Questionnaire questions of each variable in this research were measured using a Likert scale. Scale Likert is a scale that is used to measure attitudes, opinions, perceptions of a person or group of people about social phenomena. Interval a Likert Scale assessment consisting of 5 points, namely; 1) Totally Disagree, 2) Disagree, 3) Neutral, 4) Agree, 5) Totally agree. All the questions used

<table>
<thead>
<tr>
<th>Sample Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors who work at Big Four Public Accounting Firms in Jakarta</td>
<td>78</td>
</tr>
<tr>
<td>Auditors who work at non-Big Four Public Accounting Firms in Jakarta</td>
<td>42</td>
</tr>
<tr>
<td>Total Samples</td>
<td>120</td>
</tr>
</tbody>
</table>
to measure the variables in this study can be seen in the attachment to the questionnaire.

3.2.1. Variable Dependent (Y)

This research used independence of external auditor as variable dependent. Independence of auditors means that auditor's must be honest by considering objective facts, an impartial attitude in expressing opinions. The independence of external auditor is measured by using indicators, namely: the threat of following the client's wishes, the influence of client intervention, the attitude to retain clients, client compensation. To measure the indicators of the independence of external auditor, Lavin (1976) and Shockly (1981) use basic instrument by asking the auditors about their perceptions related to the pressure from client and objectivity in examining client financial statements for public accounting firm. Respondents' perception of the indicator was measured by a 5 point Likert scale.

3.2.2. Variable Independent (X)

3.2.2.1 Size of Public Accounting (X₁)

The size of the public accounting firm in this research is divided into two groups, namely the public accounting firm affiliated with Big 4 and the public accounting firm that is not affiliated with Big 4. The classification of the size of the public accounting firm can be seen by most of affiliated accounting firms or by having branches and large corporate clients having professionals above 25 people. It says to be small if it is not
affiliated, does not have a branch office and clients are small companies and the number of professionals is less than 25 people Arens, et al (2003). To measure the indicators of the size of the public accounting firm, Lavin (1976) and Shockly (1981) use basic instrument by asking the auditors about their perceptions related to the pressure from client and objectivity in examining client financial statements for public accounting firm. Respondents' perception of the indicator was measured by a 5 point Likert scale.

3.2.2.2 Audit Tenure (X2)

Audit tenure is the length of the engagement period between the auditor and the client (Chi & Huang, 2005). Variable of audit tenure in providing services to client companies is an independent variable that is measured by using indicators, namely the length of the audit assignment of an auditor of a public accounting firm for five consecutive years to the same client. To measure the indicators of audit tenure, Lavin (1976) and Shockly (1981) use basic instrument by asking the auditors about their perceptions related to the pressure from client and objectivity in examining client financial statements for public accounting firm. Respondents' perception of the indicator was measured by a 5 point Likert scale.

3.2.2.3 Audit Fee (X3)

Based on the public accountant ethics of compartment rules No 302, the amount the audit fee depends the complexity of client’s
business cycle, risk during engagement, proficiencies, and other considerations. Variable audit fee is an independent variable that is measured in using indicators, namely: high audit fees, audit fees (bonus). To measure the indicators of audit fee, Lavin (1976) and Shockly (1981) use basic instrument by asking the auditors about their perceptions related to the pressure from client and objectivity in examining client financial statements for public accounting firm. Respondents' perception of the indicator was measured by a 5 point Likert scale.

3.3 Statistical Analysis

3.3.1 Descriptive Statistics Analysis

Descriptive Statistics is a data analysis that summarizes and organizes each variable by its mean, standard deviation, maximum value, minimum value, and sum of data (Weiss, 2012). Mean is average value of the data, which is obtained by adding up the data and dividing by the number of observations. Mean can be formulated as follows (Schwert, 2010):

$$\bar{y} = \frac{\sum_{i=1}^{N} Y_i}{N}$$

Where:

$N$ = number of observations in the Current Sample

Current sample that using in this research are the maximum and minimum values of the data (Schwert, 2010). Standard Deviation can
determine the transmission of average data (Schwert, 2010). As the standard deviation become smaller, then the limited range between the lowest and highest scores also close to the average score. Schwert (2010) defined the standard deviation by:

$$s = \sqrt{\frac{\sum_{i=1}^{N} (Y_i - \bar{y})^2}{N - 1}}$$

Where:

- $N$ = number of observations in the current sample
- $\bar{y}$ = mean of the series

### 3.3.2 Data Quality Test

The questionnaire used in the study was tested first so that the quality of the data used in the research can be said to be valid data. Therefore, a validity test and reliability test is carried out as part of the data quality test.

#### 3.3.2.1 Validity Test

According to Ghozali (2005), the validity of questionnaire can be measured using validity test. The questions of questionnaires are considered to be valid if all the questions can express something measured by the questionnaire. The research data will be tested using a data processing program that correlates every scores of item
with the total score which is the number of every item. Testing uses a significance level of 5% with the standard test if the value of \( r \) count > \( r \) table then the statement item is said to be valid, whereas if the value of \( r \) is calculated < \( r \) table then the statement can be said to be invalid (Ghozali, 2005).

3.3.2.2 Reliability Test

To determine whether a questionnaire is a variable or construct, this study used reliability test as its tool. Reliability Test has a basic concept called consistency. Ghozali (2005), stated that if the answer of questions is stable during the research period, then the questionnaire is considered reliable. Reliability testing in this study is using Cronbach Alpha Coefficient formula. The Cronbach Alpha provision range value set by Hair, et al (2010):

- 0.00 - 0.20 is less reliable;
- > 0.20 - 0.40 is slightly reliable;
- > 0.40 - 0.60 is quite reliable;
- > 0.60 - 0.80 is reliable, and
- > 0.80 - 1.00 is very reliable

3.4 Classical Assumption Test

3.4.1 Normality Test

To check the dependent variable and independent variable have been normally distributed, the author used normality test Sugiyono (2010). Normality test is needed because the regression analysis assumes that
residuals follow normal distribution (Erlina, 2007). The basis for decision making from the normality test is Lilliefors (Kolmogorov-Smirnov) with a significance level of 0.05 or 5% which is stated by:

- If the significance value is > 0.05 or 5%, then the data is normally distributed
- If the significance value is <0.05 or 5%, then the data not normally distributed

3.4.2 Multicollinearity Test

To determine a correlation amongst independent variables, the author used multicollinearity test. According to Ghozali (2013) a regression model are free from multicollinearity if the tolerance value ≤ 0.10 or equal to VIF value ≥ 10. The multicollinearity can be assessed by analysing the correlation matrix to find multicollinearity problem (Heinecke, 2011). The table below shows the correlation coefficient which is shown by R value.

<table>
<thead>
<tr>
<th>R Value</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$r \leq 0.3$</td>
<td>Very weak correlation</td>
</tr>
<tr>
<td>$0.3 \leq r \leq 0.5$</td>
<td>Weak correlation</td>
</tr>
<tr>
<td>$0.5 \leq r \leq 0.7$</td>
<td>Moderate correlation</td>
</tr>
<tr>
<td>$0.7 \leq r \leq 1$</td>
<td>Strong correlation</td>
</tr>
</tbody>
</table>

(Source: Moore & Flinger, 2013)
The correlation among two variables is mostly considered strong when the correlation coefficient is larger than 0.7. Therefore, correlation coefficient should be below 0.7 to avoid biases from multicollinearity, Heinecke (2011). Hence, when the value of a variable exceeds 0.7, that variable will be excluded to solve the multicollinearity.

3.4.3 Heteroscedasticity Test

To test the occurrence of one residual observation to another, the author used heteroscedastic test (Ghozali, 2006). When variance from one residual to others remain, then it is called homoscedasticity. When the variance is different, then it is called heteroscedasticity. Regression model is considered to be good if homoscedasticity or heteroscedasticity do not occur.

The heteroscedasticity test is carried out by considering the significance of the research variables tested by the Glejser test, taking into account the significance above the confidence level (> 5%).

The heteroscedasticity could be detected in the scatter plot graph, including prediction of the bound variable (ZPREID) with the residual (SRESID). Heteroscedasticity can be determined by the occurrence of regular pattern spots (wavy, widened and then narrowed). But, when there is no pattern and the points spread above and below the number 0 on the Y axis, it concluded that there is no heteroscedasticity, Ghozali (2006).
3.4.4  Multiple Regression Analysis

Salam (2008) explained that multiple regression used to describe the relationship between continuous outcome variables and one or several independent variables in one equation. Multiple regression analysis determines how to assess objectively the level and character of the relationship between the independent variable and the dependent variable, Widarjono (2009).

The dependent variable is independence of external auditor while the independent variables are the size of public accounting firm, audit tenure, and audit fee. The independent and dependent variables could be written in linear regression equation as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Where:

- \( Y \) = independence of external auditor
- \( \beta_0 \) = intercept/constant (value of \( Y \) when \( X_1-X_5 = 0 \))
- \( \beta_1 - \beta_3 \) = partial regression coefficients
- \( X_1 \) = the size of public accounting firm
- \( X_2 \) = audit tenure
- \( X_3 \) = audit fee
- \( \epsilon \) = random error
To measure the marginal influence of independent variable to dependent variable, the value of partial regression coefficient $\beta_1 - \beta_5$ is used with keeping all other variables are stable (Schwert, 2010).

3.5 Hypothesis Test

Hypothesis is an assumption about what we observe in an effort to understand it, Nasution (2000). This study using testing of hypothesis tools multiple linear regression to be analyzed. Multiple linear analysis is used to examine a particular population or sample, the techniques used in sampling are generally done randomly.

In this study, the hypotheses testing used to analyses the influence of independent variables to dependent variable. There are two types of hypotheses, which are null hypothesis ($\beta_n = 0$) that represents by Ho and alternative hypothesis ($\beta_n \neq 0$) that represents by Ha. Null hypothesis explains that there is no significant influence of the independent variable towards the dependent variable. In contrast, alternative Hypothesis Explains that there is a significant influence of the independent variable towards the dependent variable.

3.5.1 T-Test

The t-test is performed to determine whether or not two variables relate to different averages. This test uses a confidence level of 95% or with a significance level of five percent (5%), the value of $\alpha = 0.005$ with the criteria:
1. If the probability is <0.05, then Ho is accepted, which means that the independent variable has no significant influence towards the dependent variable.

2. If the probability is > 0.05, then Ho is rejected and Ha is accepted which means that the independent variables have significant influence towards the dependent variable.

The t-test will help researcher in determining the partial influence among an independent variable towards dependent variable. The hypotheses of t-test are:

1. $H_0^1$: $\beta_1 = 0$ or if probability t-statistics > $\alpha$ then there is no significant partial influence of size of public accounting firm towards independence of external auditor.
   $H_a^1$: $\beta_1 \neq 0$ or if probability t-statistics < $\alpha$ then there is a significant partial influence of size of public accounting firm towards independence of external auditor.

2. $H_0^2$: $\beta_2 = 0$ or if probability t-statistics > $\alpha$ then there is no significant partial influence of audit tenure towards independence of external auditor.
   $H_a^2$: $\beta_2 \neq 0$ or if probability t-statistics < $\alpha$ then there is a significant partial influence of audit tenure towards independence of external auditor.
3. \( H_{03} : \beta_3 = 0 \) or if probability t-statistics > \( \alpha \) then there is no significant partial influence of audit fee towards independence of external auditor.

\( H_{a3} : \beta_3 \neq 0 \) or if probability t-statistics < \( \alpha \) then there is a significant partial influence of audit fee towards auditor independence of external auditor.

### 3.5.2 F-Test

F test is a test used to test the overall regression coefficient. Ghozali (2013), explained that F statistical test is used to indicate whether all the independent variables included in the model have a simultaneous influence on the related variables. Tests that use hypotheses use a significance level of 0.05 (\( \alpha - 5\% \)). The significance level used is 5\% and the confidence level used is 95\%. The basic decisions for f-test are:

1. Probability of f-statistics > 0.05, Ho is supported and Ha is not supported, which means that all independent variables are not simultaneously significant towards the dependent variable.

2. Probability of f-statistics < 0.05, Ho is not supported, and Ha is supported which means that all independent variables are simultaneously significant towards the dependent variable.

The f-test will help researcher in determining the simultaneous influence of a set of independent variables towards dependent variable. The hypothesis of f-test is:
- **H₀**: \( \beta_1 = \beta_2 = \beta_3 = 0 \) or if probability f-statistics > \( \alpha \) then there is no significant simultaneous influence of size of public accounting firm, audit tenure, and audit fee towards independence of external auditor.

- **Hₐ**: at least there is one \( \beta_1 \neq 0 \) or if probability f-statistics < \( \alpha \) then there is significant simultaneous influence of size of public accounting firm, audit tenure, and audit fee towards independence of external auditor.

### 3.5.3 Coefficient Determination

Coefficient of determination describe the influence of the independent variables towards the dependent variables Winarno (2011). Coefficient of determination can be measured using \( R^2 \) when independent variables used in the research less than two. While, adjusted \( R^2 \) is used when the research use more variables. As supported by Gujarati (2004), adjusted \( R^2 \) tend to be accurate than \( R^2 \). Since adjusted \( R^2 \) will only increase if the absolute t-value of the added variable is greater than one, unlike the \( R^2 \) which has non-decreasing function if independent variable is added. The value of adjusted \( R^2 \) can range from 0 to 1 (0 < adjusted \( R^2 < 1 \)):

1. If adjusted \( R^2 \) is close to 0, it means independent variables has less capability to influence dependent variable.

2. If adjusted \( R^2 \) is close to 1, it means independent variables has large capability to influence dependent variable.

According to (Baltagi, 2008), by providing the more complete information of expected dependent variables, it results to increase capability
of independent variables to influence the dependent variable, which marks
with the value of coefficient determination is closed to 1.
CHAPTER IV

RESULT ANALYSIS, DISCUSSION AND IMPLICATION

4.1. Data Description

This research was conducted in using a questionnaire that contain 19 statements, which aimed to test the effect of the size of public accounting firm, audit tenure, and audit fee towards independence of external auditor. Questionnaires are given to the auditors who work in public accounting firms from junior auditors and senior auditors to become respondents to this research. The respondent criteria used in this questionnaire are junior auditors and senior auditors in the Jakarta area who work in the public accounting firms and / or people who have worked as auditors in the position of junior auditors and senior auditors in public accounting firms. The researchers conducted questionnaires through google form to public accounting firms located in Jakarta. Before completing the questionnaire, the researcher conducted an inquiry to convey the purpose and objectives of this study. In the inquiry process respondents who did not agree could not participate in filling out this questionnaire.

The following is the number of questionnaires processed in the study:

Table 4.1 Research Questionnaire
<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Distributed questionnaire</td>
<td>160</td>
</tr>
<tr>
<td>2</td>
<td>Questionnaire returned</td>
<td>125</td>
</tr>
<tr>
<td>3</td>
<td>Questionnaire cannot be processed</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Questionnaire processed</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

Based on the table above, there are 160 questionnaires whose distribution is done using google form. There were 125 questionnaires that were returned and there were 5 questionnaires that could not be processed because the respondents filled out the questionnaire carelessly. The researcher chose to use Google form to collect data rather than using the method of collecting data by spreading questionnaires directly to public accounting firms in order to make the data collection time more efficient due the time to collect data was relative short. Researcher divides public accounting firms into two categories which are; big four and non-big four. The following are the results of the respondent's workplace from the questionnaire:

![Figure 4.1 Respondent’s Workplace](image.png)
Based on the figure above, respondents who filled out the questionnaire were around 65% or 78 people worked in big four and 35% or as many as 42 people worked in the non-big four. The respondent criteria in this questionnaire study were auditors who worked for public accounting firm in the Jakarta area with a junior auditor position up to the senior auditor who had completed a minimum formal S1 (Bachelor). This study expects the respondent to have sufficient knowledge in examining the client's financial statements which is his or her responsibility as an external auditor. The description of the respondent can be seen in the diagram below:

**Figure 4.2 Respondent’s Workplace**

The respondents whose working period is for less than five years with total of 71 people (59.7%), from 5 until 10 years as many as 42 people (34.7%), as many as 6 people (4.8%) are respondents who work for 11 to 15 years, while 1 people or 0.8% are respondents who work for public accounting firms for more than 15 years.
Figure 4.3 Respondent’s Age

Based on the figure above, respondents age between 21 until 25 years old as many 55 people or 46%, from age 26 until 30 years old as many as 46 people or 37.9%, from age 31 until 35 years as many as 12 people or 10,5%, from 36 until 40 years old as many as 5 people or 4%, while 2 people or 1,6% are respondents age for more than 40 years old.

Figure 4.4 Respondent’s Gender
Based on the figure above, respondents who filled out the questionnaire were around 53.7% or 64 people as a female, 42.3% or as many as 52 people as a male, and 4.1% or 4 people prefer not to say their gender.

4.2. Descriptive Statistic

Descriptive statistics illustrated data of variables used. This data will be processed into information about the maximum, minimum, average (mean) and standard deviation of all variables in this research, including independence of external auditor (Y), size of public accounting firm (X₁), audit tenure (X₂), and audit tenure (X₃). Tabulated data are all respondents' answers to the statements contained in the questionnaire. The researcher used a tool to process data using the Statistical Product and Service Solutions (SPSS) program version 23. The following are the results of descriptive statistical analysis in the research presented in the following table:

<table>
<thead>
<tr>
<th>Table 4.2 Variable Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Statistic</td>
</tr>
<tr>
<td>Independence of External Auditor</td>
</tr>
<tr>
<td>Size of Public Accounting Firm</td>
</tr>
<tr>
<td>Audit Tenure</td>
</tr>
<tr>
<td>Audit Fee</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
</tr>
</tbody>
</table>
Based on the table above it can be described that in this study there were 120 (N) respondents who were an auditor at KAP Jakarta. Each research variable will be described according to the data contained in table 4.2 as follows:

1. Independence of External Auditor (Y)
   In table 4.2, the mean of this variable is 31.95, and the standard deviation is 4.48. Based on the above data it can be concluded that the spread of data will show normal results because the mean value is greater than the standard deviation, (31.95 > 4.48).

2. The Size of Public Accounting Firm (X₁)
   In table 4.2, the mean of this variable is 22.75, and the standard deviation is 4.34. Based on the above data it can be concluded that the spread of data will show normal results because the mean value is greater than the standard deviation, (22.75 > 4.34).

3. Audit Tenure (X₂)
   In table 4.2, the mean of this variable is 32.33, and the standard deviation is 4.26. Based on the above data it can be concluded that the spread of data will show normal results because the mean value is greater than the standard deviation, (32.33 > 4.26).

4. Audit Fee (X₃)
   In table 4.2, the mean of this variable is 22.11, and the standard deviation is 3.10. Based on the above data it can be concluded that the spread of data will show normal results because the mean value is greater than the standard deviation, (22.11 > 3.10).
4.3. **Data Quality Test**

4.3.1. **Validity Test**

The validity test of this research instrument is done by calculating the correlational number (r count) with the answer value of each respondent. Then the calculated r value is compared with the r table value. The r table value for the number of samples is 30 and at the significance level of 5 percent (0.05), that is, 0.361. Each item of the statement is above the value of r table, stated to meet the requirements to be said to be valid. Validity test results from each item the independent variable and the dependent variable are presented in table as follows:
Table 4.3 Validity Test Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Statement</th>
<th>N</th>
<th>R value</th>
<th>R table</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence of External Auditor (Y)</td>
<td>1</td>
<td>50</td>
<td>0.924</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.824</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.838</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.853</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>50</td>
<td>0.817</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>50</td>
<td>0.791</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td>Size of Public Accounting Firm (X₁)</td>
<td>1</td>
<td>50</td>
<td>0.825</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.862</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.792</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.892</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td>Audit Tenure (X₂)</td>
<td>1</td>
<td>50</td>
<td>0.754</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.742</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.658</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.717</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>50</td>
<td>0.745</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td>Audit Fee (X₃)</td>
<td>1</td>
<td>50</td>
<td>0.881</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.885</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.702</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.739</td>
<td>0.273</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Based on table 4.3 above, it can be concluded that all statements on the questionnaire are valid and none of $r$ count are smaller than $r_{table}$. So, all of the statement above can be included in the study due it is passing the requirements of the validity test.

4.3.2. Reliability Test

Reliability is an index that shows the extent to which a measuring instrument can be trusted or reliable in measuring a similar symptom. It be said to be reliable if someone's answer to the statement is consistent (stable). The following are the results of the reliability test used using SPSS version 23, which is illustrated, in the following table:

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Value of $r$ alpha</th>
<th>Range value of Cronbach’s alpha</th>
<th>Reliability level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence of External Auditor (Y)</td>
<td>50</td>
<td>0.917</td>
<td>&gt;0.80-1.00</td>
<td>Strong reliable</td>
</tr>
<tr>
<td>Size of Public Accounting Firm ($X_1$)</td>
<td>50</td>
<td>0.856</td>
<td>&gt;0.80-1.00</td>
<td>Strong reliable</td>
</tr>
<tr>
<td>Audit Tenure ($X_2$)</td>
<td>50</td>
<td>0.771</td>
<td>&gt;0.60-0.80</td>
<td>Reliable</td>
</tr>
<tr>
<td>Audit Fee ($X_3$)</td>
<td>50</td>
<td>0.817</td>
<td>&gt;0.80-1.00</td>
<td>Strong reliable</td>
</tr>
</tbody>
</table>

On the results of research conducted on 30 respondents, it can be seen that independence of external auditor is worth Cronbach’s alpha 0.917
(strong reliable), size of public accounting firm 0.856 (strong reliable), audit tenure 0.771 (reliable), and audit fee 0.817 (strong reliable). Therefore, it can be said that the variable independence of external auditor, size of public accounting firm, audit tenure, and audit fee can be said to be reliable because it has an r-alpha value that is more than 0.20 (the range of the Cronbach’s alpha value is not reliable).

4.4. Classical Assumption Test

4.4.1. Normality Test

To check the dependent variable and independent variable have been normally distributed, the author used normality test, independence of external auditor and the variables independent, size of public accounting firm, audit tenure, and audit fee that come from populations are normally distributed or not. In detecting the normal distribution whether or not a study is carried out by the Lilliefors normality test (Kolmogorov-Smirnov) with a significance level greater than >0.05 it is said to be normally distributed, if the significance level is smaller than <0.05 then it can be said that it is not normally distributed.
Table 4.5 Normality Test

<table>
<thead>
<tr>
<th></th>
<th>IA</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>50</td>
</tr>
<tr>
<td>Normal Parameters</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>22.97</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>5.129</td>
</tr>
<tr>
<td>Most Extreme</td>
<td></td>
</tr>
<tr>
<td>Absolute Differences</td>
<td>1.56</td>
</tr>
<tr>
<td>Positive</td>
<td>1.11</td>
</tr>
<tr>
<td>Negative</td>
<td>-1.56</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>1.56</td>
</tr>
<tr>
<td>Asymp. Sig.(2-tailed)</td>
<td>0.060c</td>
</tr>
</tbody>
</table>

a. Test distribution is normal  
b. Calculated from data  
c. Lilliefors significance correction

Based on the normality test carried out in table 4.5 obtained the results at a significance value of 0.060 or it can be said the significance value is greater than 0.05 (0.200 > 0.05). From the above test it can be said that in the Cronbach's Alpha value range the data is reliable and shows that the data is normally distributed.

4.4.2. Multicollinearity Test

To determine a correlation amongst independent variables, the author using multicollinearity test. A good regression model should not have a correlation between independent variables, with a value of variance (VIF) in the number 1, has a correlation level less than 95% or close to 1 and tolerance value < 0.10 or close to 1. In each of the independent variables, size of public accounting firm, audit tenure, and audit fee, multicollinearity tests were presented which are presented in table 4.6 as follows:
Table 4.6 Multicollinearity Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of Public Accounting</td>
<td>.544</td>
<td>1.873</td>
<td></td>
</tr>
<tr>
<td>Firm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Tenure</td>
<td>.546</td>
<td>1.832</td>
<td></td>
</tr>
<tr>
<td>Audit Fee</td>
<td>.995</td>
<td>1.005</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Independence of External Auditor

Based on table 4.6 regarding the results of the multicollinearity test, it shows the VIF value of each variable, Size of Public Accounting Firm of 1.873, Audit Tenure of 1.832, and Audit fee of 1.005 or in other words the overall variable has a VIF value of ≤ 10, it can be concluded that there is no multicollinearity, or Tolerance there is shown at table 4.6 shows the value of each variable that is equal to, Size of Public Accounting Firm (0.544), Audit Tenure (0.546), and Audit fee (0.995). According to table 4.6 shows the value of the whole variable has a tolerance value greater than 0.10, it can be concluded that there is no multicollinearity happen.
4.4.3. Heteroscedasticity Test

4.3.3.1 Heteroscedasticity Test with Scatterplot

Scatterplot heteroscedasticity testing is to test by looking at plot graphs which are predictive values of residual variables, or by looking at the presence or absence of certain patterns on the scatterplot graph. To prove the presence or absence of heteroscedasticity symptoms, this study uses the SPSS version 23 application and produces the scatterplot graphic image shown in the following Figure 4.5:

![Scatterplot Image]

Figure 4.5 Heteroscedasticity Test with Scatterplot

Based on the data above, it can be said that there are no symptoms of heteroscedasticity, this can be proven if you pay attention to the picture in figure 4.5 which concludes that:

1. Spread of dots that do not form a wavy pattern, widen, then narrow regularly, there is no heteroscedasticity;
2. Spread data dots in the picture above are around the number 0, which is in the position below and above the number 0; Both of the test above, the Scatterplot test, can be concluded that this case did not happen heteroscedasticity in the test.

4.5. Multiple Linear Regression Test

Statistical hypothesis testing tool that used in this study is a multiple linear regression analysis. Hypothesis test used to determine the relationship of three independent variables; size of public accounting firm, audit tenure, and audit fee with one dependent variable; independence of external auditor. This study uses SPSS software version 23, with the following results table:

Table 4.7 Multiple Linear Regression Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>16,968</td>
<td>5,156</td>
</tr>
<tr>
<td>S</td>
<td>1,053</td>
<td>.316</td>
</tr>
<tr>
<td>AT</td>
<td>-1,217</td>
<td>.329</td>
</tr>
<tr>
<td>AF</td>
<td>.114</td>
<td>.351</td>
</tr>
</tbody>
</table>

Summary of analysis results based on table 4.7:
The regression equation above can be explained as follows:

1. The value 16.968 is a constant value (a) which indicates if there is no influence on the variables independence of external auditor, size of public accounting firm, audit tenure, and audit fee is 16.968.

2. The value of 1.053 is the regression coefficient value of the variable Size of the public accounting firm (SoPAF) which indicates if SoPAF increases by one unit. Then the independence of external auditor value will increase by 1.053 assuming that the value of other independent variables remained same.

3. The value of -1.217 is the regression coefficient value of the variable Audit Tenure (AT) which indicates if AT increases by one unit. Then the independence of external auditor value will decrease by -1.217 assuming that the value of other independent variables remained same.

4. The value of 0.114 is the regression coefficient value of the variable Audit Fee (AF) which indicates if AF increases by one unit. Then the independence of external auditor value will increase by 0.114 assuming that the value of other independent variables remained same.
4.6. Hypotheses Testing

4.6.1. T-Test

T-test is a significant influence between independent variables toward dependent variables, partially Sarwono (2006). This test is done by comparing the probability value of t-statistics for each independent variable with significance value of $\alpha = 0.05$. Based on the table 4.7 of multiple regression analysis results, it can be concluded as follows.

**Table 4.8 T-Test Result**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>(Constant)</td>
<td>16,968</td>
<td>5,156</td>
<td>3,291</td>
<td>.002</td>
</tr>
<tr>
<td>S</td>
<td>S,745</td>
<td>,326</td>
<td>1,14</td>
<td>,351</td>
</tr>
<tr>
<td>AT</td>
<td>1,053</td>
<td>,316</td>
<td>3,330</td>
<td>,001</td>
</tr>
<tr>
<td>AF</td>
<td>-1,217</td>
<td>,329</td>
<td>-3,695</td>
<td>,000</td>
</tr>
</tbody>
</table>

The results of data analysis in table 4.8:

1. Size of public accounting firm showed significant results of $0.001 < 0.05$ then H01 was rejected and Ha1 was accepted, this means that size of public accounting firm has an effect on Independence of External Auditor.
2. Audit tenure showed significant results of $0.000 < 0.05$ then $H_02$ was rejected and $H_a2$ was accepted, this means that audit tenure have an effect on Independence of External Auditor.

3. Audit fee showed insignificant results of $0.745 > 0.05$ then $H_03$ was accepted and $H_a3$ was rejected, this means that audit fee have no effect on Independence of External Auditor.

4.6.2. F-Test

F-test has an altogether independent variable that has a significant influence towards the dependent variable Sarwono (2006). This test is done by comparing the probability of the value of $f$-statistics with significance value of $\alpha = 5\%$ or 0.05. If the probability of $f$-statistics is lower than 0.05 means there is a simultaneous significant influence of the independent variables to dependent variables, vice versa. In this study the F-test was obtained as follows:

**Table 4.9 F- Test result**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>672,209</td>
<td>3</td>
<td>224,070</td>
<td>6.63 $7$</td>
<td>.000 $^{b}$</td>
</tr>
<tr>
<td>Residual</td>
<td>2565,978</td>
<td>76</td>
<td>33,763</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3238,188</td>
<td>79</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: IA

b. Predictors: (Constant), AF, S, AT
Based on the table 4.9 above, it shows that the significance less than 0.05 value (0.0000 < 0.05), therefore H0 is accepted and that means there is a significant simultaneous influence of size of public accounting firm, audit tenure, and audit fee towards independence of external auditor.

### 4.6.3. Coefficient of Determination

The coefficient of determination ($R^2$) describe the influence to independent variables towards dependent variable, Winarno (2011). This study using R-squared. The coefficient of determination result shown in table 4.10:

**Table 4.10 Coefficient of Determination result**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.456</td>
<td>.208</td>
<td>.176</td>
<td>5.811</td>
<td>.208</td>
<td>6,637</td>
</tr>
</tbody>
</table>

Coefficient determination considered as good when the value is closer to one, which indicates strong capability to influence dependent variable., Baltagi (2008). As displayed by table 4.10 above, the result of adjusted R-squared is 0.176. It means that all independent variables, which are size of public accounting firm, audit tenure, and audit fee provide 17.6% influences simultaneously towards independence of external auditor. The rest of 82.4% is influenced by other variables that are not examined in this study.
4.7. **Interpretation of Result**

Based on the tests conducted on several hypotheses in the F-Test study, on the variable independent size of public accounting firm, audit tenure, and audit fee together have an influence on the dependent variable size of public accounting firm.

Based on the F-Test in these study, on the variable independent which are size of public accounting firm, audit tenure, and audit fee which all variables have a significance effect on the dependent variable independence of external auditor.

The following is a discussion of the results of the tests carried out:

**4.7.1. Size of public accounting firm affect towards independence of external auditor**

The test results show that the size of the public accounting firm has a significant effect on the independence of external auditors. The greater the size of the public accounting firm, the more resistant the client's pressure will be, so that auditor independence can be maintained, and vice versa. This result is similar to Widodo's (2002) study, but does not support the findings that provided by Retty & Indra (2001). This explains, the greater the public accounting firm, the greater the public accounting firm’s independence, because the larger public accounting firm has better human resources in quality and quantity. In addition, it will try to maintain its reputation so that it will become independent. This research is also reinforced by previous research conducted by Ika and Wibowo (2011), Jhon et al (2012) and Salau et al (2013). The theory of attitudes and ethical behavior related to the size
of the public accounting firm indicates that auditor independence will be increasingly emphasized in public accounting firm which insists that the auditors in carrying out their duties still adhere to their professional attitude, where it relates to good reputation that public accounting firm will receive from clients.

4.7.2. Audit tenure affect towards independence of external auditor

In this study, researchers found out that the audit tenure has an effect on the auditor's external independence, this occurs because with the existence of a long-term audit relationship, it will trigger the auditor not to carry out his duties according to the applicable professional ethics. When the relationship between auditors with clients getting longer, the auditor's financial dependence on clients will be even greater. The higher the auditor's dependency, the more worried the auditor's independence will decline because the auditor will be subject to client pressure. If the auditor is subject to client pressure, the consequences of their behavior in carrying out their duties will not be based on responsibility. This logic encourages the auditor to have a long relationship with the client. This is in line with previous research conducted by Ika and Wibowo (2011), Ahmad, et al (2012), and Kasidi (2007) stating that the length of the audit relationship (audit tenure) has a negative significant effect on independence of external auditor. It means the longer auditor's working relationship with the client, the higher
probability of mutual need phenomenon will show up, so that the pattern of the auditor-client relationship will be transformed into a work partner. This will be dangerous for audit decisions from the auditor. In some case there are restriction the length of the public accounting firm-client relationship for a maximum of 6 years. Sharp competition between public accounting firms may have influence which is great for the independence of public accountants. Sharp competition can result low professional solidarity, so as to keep clients from moving request services to other accountants, accounting firms tend to be subject to client pressure. Professional solidarity is the support given by a public accountant to others member of the profession, if the client wants to replace the accountant examiner who is now used and seeking services from other accountant examiners Azizkhani et al. (2007). The research on the relationship of competition between public accounting firms on performance independence Public accountants conducted by Retty & Indra (2001) show that competition is between public accounting firm has no significant effect on the independence of the appearance of public accountant research conducted by Widodo (2002) shows that competition between public accounting firm has a significant effect on the independence of the appearance of public accountants. Moreover, this kind of dangerous relationship will affect the auditor decision making.
4.7.3. Audit fee affect towards independence of external auditor

Audit fee is one of the factors that limits the auditor in conducting the audit process in addition to a short time. But for the external auditor who have high independence, audit fees are not the main factor to follow the wishes of the client. Moreover, the external auditor who have high independence will cling to the truth of the report examined and not tempted by a high audit fee to change the decision on the opinion issued. This is in line with the research conducted by Ika and Ricky (2011), they found that audit fees did not have a significant effect on the auditor's external independence. Moreover, if the audit fee, which is received by an accountant's office from a particular client, may constitute a large part of the total income of the accountant's office. Conversely, perhaps the audit fee received by an accountant's firm from a particular client is only part of the total income of the accounting firm (Bedard et al., 2008). Research on the relationship of Audit fees to the independence of the appearance of public accountants conducted by Retty & Indra (2001) shows that audit fees do not significantly influence the independence of the appearance of public accountants.
CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

This study has the purpose to analyze the effect of size of public accounting firm, audit tenure, and audit fee towards independence of external auditors. The sample size of this research is 120. The data were analyzed by using descriptive statistical analysis, classical assumption test, multiple linear regression, and hypotheses testing by adopting random effect model to perform the regression.

After conducting the discussion and analysis in previous chapter in order to achieve the research objectives, the results obtained are:

1. From t-test result, significant influence partially for each independent variable toward dependent variable can be concluded as follows:

   - Size of public accounting firm has affect towards independence of external auditors, which is indicated by significant value 0.001 and coefficient 1.053. When the size of public accounting firm is bigger, then the higher independence of external auditor will be performed.

   - Audit tenure has affect towards independence of external auditors, which is indicated by significant value 0.000 and coefficient -1.217. When audit tenure is low, so independence of external auditors might go higher.
• Audit fee has no effect towards independence of external auditors, which is indicated by significant value 0.745 and coefficient 0.114. For the external auditor who have high independence, audit fees are not the main factor to follow the wishes of the client. Moreover, the external auditor who have high independence will cling to the truth of the report examined and not tempted by a high audit fee to change the decision on the opinion issued.

2. The independent variables altogether are having influence as much as 17.6% towards independence of external auditors. The remaining 82.4% influence factor is caused by the other factors outside this research.

5.2 Limitations of the study

This research cannot be separated from the limitations and weaknesses that can lead to biased research results. Following are the limitations of the study, which needs to be improved in subsequent studies:

1. This study only focuses on auditor independence without looking at the implications of morality and the mentality of an auditor in understanding the professional code of ethics directly, which has the potential to shape attitudes and behavior independence of an auditor in carrying out his profession.

2. This study only focuses on three independent variables affect auditor independence, namely; size of public accounting firm, audit tenure, and
audit fee; so that it still needs correction with the addition of independent
variables other than that so the study of auditor independence becomes more
comprehensive.

3. Research data was obtained through questionnaires that were distributed
directly to respondents. However, there are limitations for researchers to
control the respondents studied so that it might be able to cause differences
over purpose and objectives.

4. The scope and number of samples used in the study are other limitations
that can be corrected and expanded in subsequent studies.

5.3 Recommendation and Future research

Based on the conclusions and some limitations of the study, then
suggestions for future researchers are as follows:

a. Further researchers who conduct studies in the field of independence of
external auditor can try to use a qualitative approach, so that there will be
a description of the influence variables outside of those already examined
in this study. By going through a different approach, it is hoped that it can
produce a better research by knowing the implications for auditor
independence in carrying out their job professions.

b. The next researcher can add several other variables that have not been
studied in this study. These variables include role conflict, role ambiguity,
commitment to the profession, compliance with the code of ethics, and so
forth. The inclusion of these independent variables is expected to increase the coefficient of determination in subsequent studies.

c. Research in the same field of study can expand the scope of research and adding the number of samples used in the study. This is expected that further research can produce more research.
REFERENCES


APPENDICES

Appendix 1 - Research Sample

1. Questionnaire

A. Demographic Information

Gender : 

Age : 

Working Time Period : 

Size of Public Accounting Firm : 

B. Assessment Criteria

1. Totally Disagree

2. Disagree

3. Neutral

4. Agree

5. Totally Agree

C. Questions of the questionnaire
<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kantor akuntan publik dimana saya bekerja mempunyai cabang &gt; 1 di Indonesia.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The public accounting firm where I work has a branch &gt; 1 in Indonesia.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kantor akuntan public dimana saya bekerja melakukan audit jasa-jasa terkait untuk usaha kecil entitas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The public accounting firm where I work conducts audits of related services for the small business entity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kantor akuntan public saya bekerja mempunyai &gt; 2 klien.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My public accounting firm works with &gt; 2 clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kantor akuntan public dimana saya bekerja melayani klien yang berlokasi jauh.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The public accounting firm where I work serves clients located far away.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor sebaiknya memiliki hubungan dengan klien yang sama paling lama 3 tahun.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The auditor should have a relationship with the same client for a maximum of 3 years.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saya berupaya tetap bersifat independen dalam melakukan audit walaupun telah lama menjalin hubungan dengan klien.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I try to remain independent in conducting audits even though I have had long relationships with clients.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Questionnaire</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Audit fee yang belum disepakati dengan klien tidak berpengaruh terhadap pelaksanaan standar-standar dan prosedur audit sesuai dengan Standar Profesional Akuntan Publik.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An audit fee that has not been agreed with the client does not affect the implementation of audit standards and procedures in accordance with the Professional Standards of the Public Accountant.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Questionnaire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saya selalu berhati-hati dalam pengambilan keputusan selama melakukan audit.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am always careful in making decisions during the audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saya tidak berani melaporkan kesalahan klien karena klien dapat mengganti posisi saya dengan auditor lain.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not dare to report client errors because clients can change my position with other auditors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Jika auditor mengetahui sistem informasi keuangan, maka auditor dapat melaksanakan prosedur audit dengan baik.

If the auditor knows the financial information system, the auditor can carry out audit procedures properly.

Pelaporan bebas dari usaha tertentu untuk mempengaruhi pertimbangan pemeriksaan terhadap isi laporan pemeriksaan.

Free reporting of certain businesses to influence the consideration of examining the contents of the audit report.

Auditor tidak boleh dikendalikan atau dipengaruhi oleh klien dalam kegiatan yang masih dilakukan.

Auditors must not be controlled or influenced by clients in activities that are still being carried out.

Kami mengucapkan terima kasih atas kerjasama dan bantuan Bapak/Ibu. Tanpa bantuan Bapak/Ibu, penelitian ini tidak mungkin terselesaikan (We thank you for your cooperation and assistance. Without the help of Mr / Ms, this research cannot be resolved.)
Appendix 2 - Result of Data Collecting

Research questionnaire

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Distributed questionnaire</td>
<td>160</td>
</tr>
<tr>
<td>2</td>
<td>Questionnaire returned</td>
<td>125</td>
</tr>
<tr>
<td>3</td>
<td>Questionnaire cannot be processed</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Questionnaire processed</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

Appendix 3 - Result of Descriptive Statistic

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N Statistic</th>
<th>Mean</th>
<th>Std. Deviation Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence of External Auditor</td>
<td>120</td>
<td>16.19</td>
<td>6.402</td>
</tr>
<tr>
<td>Size of Public Accounting Firm</td>
<td>120</td>
<td>11.30</td>
<td>2.218</td>
</tr>
<tr>
<td>Audit Tenure</td>
<td>120</td>
<td>11.59</td>
<td>2.133</td>
</tr>
<tr>
<td>Audit Fee</td>
<td>120</td>
<td>12.44</td>
<td>1.980</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>120</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

72
Appendix 4 - Result of Data Quality Test

1. Validity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Statement</th>
<th>N</th>
<th>R value</th>
<th>R table</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independence of External Auditor (Y)</td>
<td>1</td>
<td>50</td>
<td>0.924</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.824</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.838</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.853</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>50</td>
<td>0.817</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>50</td>
<td>0.791</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td>Size of Public Accounting Firm (X1)</td>
<td>1</td>
<td>50</td>
<td>0.825</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.862</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.792</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.892</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td>Audit Tenure (X2)</td>
<td>1</td>
<td>50</td>
<td>0.754</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.742</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.658</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.717</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>50</td>
<td>0.745</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td>Audit Fee (X3)</td>
<td>1</td>
<td>50</td>
<td>0.881</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50</td>
<td>0.885</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>50</td>
<td>0.702</td>
<td>0.273</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>50</td>
<td>0.739</td>
<td>0.273</td>
<td>Valid</td>
</tr>
</tbody>
</table>
2. **Reliability Test**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Value of r alpha</th>
<th>Range value of Cronbach’s alpha</th>
<th>Reliability level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence of External Auditor (Y)</td>
<td>50</td>
<td>0.917</td>
<td>&gt;0.80-1.00</td>
<td>Strong reliable</td>
</tr>
<tr>
<td>Size of Public Accounting Firm (X1)</td>
<td>50</td>
<td>0.856</td>
<td>&gt;0.80-1.00</td>
<td>Strong reliable</td>
</tr>
<tr>
<td>Audit Tenure (X2)</td>
<td>50</td>
<td>0.771</td>
<td>&gt;0.60-0.80</td>
<td>Reliable</td>
</tr>
<tr>
<td>Audit Fee (X3)</td>
<td>50</td>
<td>0.817</td>
<td>&gt;0.80-1.00</td>
<td>Strong reliable</td>
</tr>
</tbody>
</table>

**Appendix 5 - Result of Classical Assumption Test**

1. **Normality Test**
### Normality Test

**One-Sample Kolmogorov-Smirnov Test**

<table>
<thead>
<tr>
<th>N</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Parameters&lt;sup&gt;a,b&lt;/sup&gt;</td>
<td>Mean</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td>Absolute</td>
</tr>
<tr>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Negative</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>.156</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.080&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>a</sup> Test distribution is Normal.

<sup>b</sup> Calculated from data.

<sup>c</sup> Lilliefors Significance Correction.

---

### 2. Multicollinearity Test

**Multicollinearity test result**

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
</tr>
<tr>
<td>Size of Public Accounting Firm</td>
<td>.544</td>
</tr>
<tr>
<td>Audit Tenure</td>
<td>.546</td>
</tr>
</tbody>
</table>
3. **Heteroscedasticity Test**

Heteroscedasticity Test

![Scatterplot](image)

4. **Multiple Linear Regression**

Multiple Linear Regression

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant) 16.468 5.155</td>
<td>3.201 .002</td>
</tr>
<tr>
<td>S</td>
<td>1.853 .315</td>
<td>.365 3.330 .001</td>
</tr>
<tr>
<td>AT</td>
<td>-1.217 .323</td>
<td>-1.065 -3.656 .003</td>
</tr>
<tr>
<td>AF</td>
<td>.114 .351</td>
<td>.055 3.28 .745</td>
</tr>
</tbody>
</table>

**Appendix 6 - Result of Hypotheses Testing**
1. **T – Test**

![Coefficients Table]

2. **F – Test**

![ANOVA Table]

3. **Coefficient of Determination**

![Model Summary Table]