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# The Effect of Audit Tenure, KAP Reputation, and The COVID-19 Pandemic on Audit Quality

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***Abstract***

*This study empirically aims to determine the effect of tenure audits, public accountants' reputation, and the COVID-19 pandemic on audit quality in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. This research is quantitative, with a population of 52 companies, and sampling techniques were carried out using the purposive sampling method to obtain a sample of 32 companies. The results showed that audit tenure has a positive effect on audit quality, meaning that the longer the audit tenure, it will encourage the creation of understanding for an auditor of the company being audited. Furthermore, the reputation of KAP negatively affects audit quality; this shows that non-Big Four KAPs have no less good performance so that they can improve audit quality. The COVID-19 pandemic has negatively affected audit quality, which means that weak economic conditions have provided obstacles for the Company and KAP, causing audit quality to decline.*

*Keywords: Audit Tenure; KAP Reputation; Covid-19 pandemic; Audit Quality.*



## 1. Introduction

Currently, competition between companies is increasingly closely accompanied by various problems, including competition in public accounting services. Public accountants are required to be able to improve their services to be able to compete in today's time, gain the trust of the wider community, and be able to gather as many clients as possible. The existence of great trust from users of audited financial statements and other services provided to public accountants requires auditors to maintain the quality of the audits they produce so that they

can be accounted for and needed to optimise the credibility of financial statements for information users.

However, there have been many problems regarding low audit quality in recent years, such as dragging auditors, making public trust decline, and doubting an auditor's independence. One is the case revealed in 2019 at the Three Pillars of Prosperity Company *Food (*TPS *Food),* which allegedly inflated funds of Rp 4 trillion in the 2017 financial statements. This happened when PT Ernst & Young Indonesia (EY) released an investigative audit report on the new management of TPS *Food* on March 12, 2019, involving several accounts, namely fixed assets, accounts receivable and inventory of AISA Group. Due to the difference in financial records in internal data with records used by auditors to audit the 2017 financial statements, there is also information about AISA's old management who made other books for external audit purposes (www.finance.detik.com, 2019).

Based on the scandal above proves that audit quality can affect several factors, namely tenure audits and KAP's reputation. The length of the engagement period between the company and auditors Aryanto-Amir Abadi Jusuf, Mawar & Staptoto, who audited AISA's financial statements from 2002 to 2017, and it is known that the KAP is affiliated with the world's leading audit, tax and consulting firm, RSM International, which is classified as *Non-Big-4 Public Accountant.* This supports the tenure audit variables and the reputation of KAP, which influence audit quality.

The first factor that can affect audit quality is the audit *Tenure*. According to Agustini and Siregar (2020), *Tenure* can be interpreted as the period of engagement between the auditor and the client in providing audit services by the agreement made. Research results in Panjaitan & Chariri (2014) prove that audit *Tenure* negatively affects audit quality. This indicates that the length or absence of the relationship between clients and auditors at this time affects the quality of audits based on an auditor's professionalism and professional responsibility in carrying out their duties. From the results of the studyRizaldi (2017) states that the audit *Tenure* does not affect the quality of the audit because the existing standards will maintain the quality of the audit provided without being influenced by the period of the engagement period that occurs between the auditor and his client.

The second factor that can affect the quality of the audit is the reputation of the Public Accountant, where the Public Accountant and Public Accountant must show an excellent professional attitude to the established regulations because it can affect the results of audit quality, which will also affect the reputation of the auditor and the KAP concerned (Indriani et al., 2020), according to Prasiti (2015) which states that the reputation of KAP has a positive effect on the quality of audits because the better the reputation of KAP, the better the quality of the audits produced. While in research, Herdiyana (2021) revealed that the reputation of KAP does not significantly affect the quality of the audit. This is because the company is audited by KAP *Big 4* inclined. It will not produce a higher quality audit if it cannot know the existence of profit management in its financial statements.

In addition to the factors described above, the condition of the COVID-19 pandemic is thought also to affect the quality of audits. As we know, the COVID-19 pandemic conditions have caused unprecedented economic uncertainty, which has a negative impact on investor confidence and can result in financial difficulties. In addition, given the high risk of pressure during COVID-19, it is likely that companies will breach debt contracts and follow profit-level

practices. This increases assurance demands for investors to increase their confidence through quality audits (Yadav & Srivastava, 2021). Unlike the earlier research, this study will examine how the COVID-19 pandemic can affect audit quality. Therefore, this study is interesting in further investigating the relationship between the two.

Agency theory is a contractual relationship between shareholders and managers and the existence of a third party, namely an external auditor as a mediator. Related to agency issues, third parties must be independent in carrying out audits and in providing opinions on client financial statements so that they will be able to produce reliable audit quality later. This is because the auditor's engagement in providing facilities related to every desire of management in the hope that his relationship with clients does not end can lead to a loss of independence for an auditor (Kurniasih, 2014).

Attribution theory explains a person's behaviour and how a person explains the reasons for his behaviour towards others or himself. This influence on a person is believed to make an auditor behave independently or not, providing audit opinions to a company. One of the essential things that auditors must consider is professional ethics or auditor behaviour in carrying out audit programs (Rahmataallo et al., 2017). Auditor professional ethics are made to control the auditor's work process and protect the professionalism of an auditor to maintain his reputation well so that it will produce good audit quality as well.

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

According to Murti (2013), audit tenure between auditors and clients will add knowledge and experience to form better audit procedures. This increases the audit quality because the longer the tenure audit period, the more auditor competence obtained. In line with research conducted by Tjun (2019), it was revealed that tenure audits, Tenure Audit (TEN), Reputation, Public Accounting (REP), COVID-19 pandemic (PC), Audit Quality (KA) 23 have a positive effect on audit quality because the longer the Audit Tenure, it will encourage the creation of understanding for an auditor of the company being audited. Research conducted by Darya and Puspitasari (2017) also supports that tenure audits influence audit quality; it is believed that the longer the tenure audit period, the more expertise the auditor has in detecting profit fraud carried out by management. Based on this description, then

H1: Audit Tenure has a positive effect on Audit Quality

**The Effect of Public Accounting Reputation on Audit Quality**

The reputation of KAP is related to the image of the company, which comes from time to time. Reputation is also the result of the technical and functional quality of a company's audit, which is a consequence of the composition of the auditor with the company having the brand name and perceived audit quality, as well as the fees charged (Ramadhan & Laksito, 2018). Research conducted (Nadia, 2015) also supports the statement that the reputation of KAP is very influential on audit quality because if the public gets fraud committed by auditors to cover up the financial statements of client companies, the auditor's reputation can be threatened like Arthur Andhersen's KAP which now no longer exists due to covering client fraud. Based on this description, the hypothesis is:

H2: KAP's reputation has a positive effect on audit quality

**The Effect of the Covid-19 Pandemic on Audit Quality**

The COVID-19 pandemic has had a considerable impact on economies and finances worldwide, making it a formidable challenge for the audit community; as the consequences

of these challenges and restrictions are more or less unknown, it will be difficult to foresee. Market uncertainty can further affect investor confidence in the company's financial performance and lead to various financial difficulties. Research conducted by Yadav & Srivastava (2021) states that the Covid-19 pandemic negatively affects audit quality because the Covid-19 pandemic creates economic uncertainty, which brings severe challenges to public accountants, which has a negative impact on investor confidence, which can result in financial difficulties. In addition, given the high risk of pressure during COVID-19, it is likely that companies are breaching debt contracts and following profit-level practices. Based on this description, then:

H3: The COVID-19 pandemic has negatively affected audit quality.

## 2. Research Methods

The object of this study is to obtain empirical evidence and analyse the influence of independent variables, namely audit tenure, KAP reputation and the Covid-19 pandemic, on the dependent variable, namely audit quality in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2016-2020 period.

The source of this research data refers to the annual report of manufacturing companies through the IDX website, namely www.idx.co.id and company websites using archival methods. Meanwhile, the type of data needed in this study is secondary data obtained from manufacturing companies in the consumer goods industry sector listed on the IDX during the 2016-2020 period.

The dependent variable in this study is audit quality (KA), which is measured using discretionary accruals using the Kaznik model. Discretionary accrual measurement using the Kaznik model includes operating cash flow (OCF ), *while discretionary accrual measurement using the Jones and Dechow models does not consider operating cash flow (OCF).*

The independent variables in this study were tenure audit (TEN), KAP reputation (REP), and the Covid-19 pandemic (PC). TEN is measured by calculating the number of engagement years, where the auditor from the same KAP for the first year of engagement starts from 1 and is added by 1 for subsequent years. REP is measured using a *dummy variable, which gives a value of 1 if the KAP is affiliated with the Big 4 KAP* and is given a value of 0 if the KAP is not affiliated with *the Big 4* KAP. Likewise, PCs are measured by giving a value of 1 for 2020 and 0 for 2016-2019.

The control variables used in this study were *leverage* (LEV) and company size (SIZE). LEV is measured by calculating the debt amount divided by the assets in the previous year. While SIZE is measured using the natural logarithm of the number of assets.

## 3. Results and discussion

### 3.1. Results

Based on the *purposive sampling* method that has been carried out, 32 manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) were obtained, which presented complete data for 5 years, namely from 2016 to 2020, so that the number of financial statements to be used as samples in this study amounted to 160.

**Table 1. Sampling data based on criteria**

| No. | Sample Criteria | Sum |
|---|---|---|

| | | |
|---|---|---|
| **1.** | Total manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during the period 2016-2020 | 52 |
| **2.** | Total manufacturing companies in the consumer goods industry sector whose financial statements were not audited by independent auditors and did not consistently publish annual reports during the 2016-2020 period | (20) |
| **3.** | A total sample of companies by criteria | 32 |
| **4.** | Total samples during the period 2016-2020 | 160 |
| **5.** | Outlier Data | 60 |
| **6.** | Data used | 100 |

Source: Data processed by the author, 2021

Table 1 shows that after excluding companies with incomplete data and companies with extreme data, the data used in this study is 100.

**Table 2. Results of Descriptive Statistical Analysis**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| KA | 100 | -0,08113 | 0,00000 | -0,0062136 | 0,00931818 |
| TEN | 100 | 1 | 5 | 2,62 | 1,536 |
| REP | 100 | 0 | 1 | 0,42 | 0,496 |
| PC | 100 | 0 | 1 | 0,27 | 0,446 |
| LEV | 100 | 0,07689 | 3,73903 | 0,4316825 | 0,37461930 |
| SIZE | 100 | 25,664 | 32,726 | 29,00007 | 1,777207 |
| Valid N (listwise) | 100 | | | | |

Source: SPSS processed data

Based on the SPSS data output above for straightforward interpretation, the discretionary accrual value is multiplied by -1, so it is known that the KA variable gets a minimum value of -0.08113 and a maximum value of 0.00000. Meanwhile, the train's average value and standard deviation are -0.0062136 and 0.00931818. This proves that from 100 data on manufacturing companies in the consumer goods industry sector, it is known to have a minimum value of -0.08113 at PT Indofarma Tbk in 2020, while a maximum value of 0.00000 at PT Tri Banyan Tirta Tbk in 2016 and PT Sekar Bumi in 2020 with an average value of -0.0062136 and a level of variability of 0.00931818.

The TEN variable, calculated from the number of years of KAP engagement in the same company, shows a minimum value of 1 and a maximum value of 5. Then, the average value and standard deviation of TEN are 2.62 and 1.536. This proves that some manufacturing companies in the consumer goods sector have used audit services from the same public accounting firm for 5 years. Still, many companies require certain public accounting services for only a year, with an average engagement period of 2.62 years and a variability level of 1.536.

REP variables measured using variables *Dummy* indicate a minimum value of 0 and a maximum value of 1. At the same time, the average value and standard deviation of REP are 0.42 and 0.496. This proves that from 100 observations made, it is known that manufacturing companies in the consumer goods industry sector only use KAP *Big 4*.

PC variables are also measured using Dummy variables, which indicate a minimum value of 0 and a maximum value of 1. At the same time, the average value and standard deviation of the PC are 0.27 and 0.446. This proves that from 100 observations, it is known that the COVID-19 pandemic has slightly affected the Financial Statements of manufacturing companies in the consumer goods sector.

The LEV control variable shows a minimum value of 0.07689 and a maximum value of 3.73903. At the same time, the average value and standard deviation of the LEV are 0.4316825 and 0.37461930. This proves that the value *Leverage* Below 0.43 indicates that manufacturing companies in the consumer goods sector use less debt than their capital.

The SIZE control variable shows a minimum value of 25.664 and a maximum value of 32.726. Then, SIZE's average value and standard deviation are 29.00007 and 1.777207. This proves that the smallest company size from the 100 manufacturing company data in the consumer goods industry sector by looking at the company's total assets was obtained from PT Kino Indonesia Tbk in 2016, while the most significant company size was obtained from PT Indofood Sukses Tbk in 2020.

The following is a description of the REP variable, which is a variable using a nominal scale in the form of a *Dummy* which is presented in the frequency distribution table below:

**Table 3. KAP Reputation Variables**

| | | Frequency | Percent |
|---|---|---|---|
| **Valid** | KAP Non-Big4 | 58 | 58% |
| | KAP Big 4 | 42 | 42% |
| | Total | 100 | 100% |

Source: SPSS processed data

The analysis results in the table above prove that from the 100 data used, there are 58 sample companies whose financial statements are audited by Non-Big 4 Public Accountants or 58% of the total research sample. Then, the remaining 42 sample companies, or 42% of the total research sample whose financial statements were audited by KAP *Big 4*.

Here is a description of PC variables that are also variables using a nominal scale in the form of *Dummy*, which is presented in the frequency distribution table below:

**Table 4. Covid-19 Pandemic Variables**

| | | Frequency | Percent |
|---|---|---|---|
| Valid | Financial Report 2016-2019 | 73 | 73% |
| | Financial Report 2020 | 27 | 27% |
| | Total | 100 | 100% |

Source: SPSS processed data

The results of the analysis in the table above prove that of the 100 data used, there were 73 sample companies or 73% of the total research sample, whose financial statements were not affected by the Covid-19 pandemic, namely from 2016 to 2019, while the remaining 27 sample companies or 27% of the total research sample whose financial statements were affected by the Covid-19 pandemic, namely in 2020.

The results of the normality test in the table show that the magnitude of the significance value of the Kolmogrov-Smirnov test is 0.200, and the regression model assumes normality.

**Table 5. Normality Test Results**

| One-Sample Kolmogorov-Smirnov Test | | |
|---|---|---|
| | | Unstandardised Residual |
| N | | 100 |
| Normal Parametersa,b | Mean | ,0000000 |
| | Std. Deviation | ,00592677 |
| Most Extreme Differences | Absolute | ,070 |
| | Positive | ,050 |
| | Negative | -,070 |

| | |
|---|---|
| Test Statistics | ,070 |
| Asymp. Sig. (2-tailed) | ,200c,d |

Source: SPSS processed data

The results of the calculation of the tolerance value in Table 4.7 show that the tolerance value is less than 0.10, and the calculation of the VIF value is more than 10, which can be interpreted as having no multicollinearity between independent variables in the regression model.

**Table 6. Multicollinearity Test Results**

| **Type** | | **Collinearity Statistics** | |
|---|---|---|---|
| | | Tolerance | VIF |
| **1** | (Constant) | | |
| | TEN | 0,565 | 1,769 |
| | REP | 0,664 | 1,506 |
| | PC | 0,581 | 1,722 |
| | LEV | 0,861 | 1,161 |
| | SIZE | 0,657 | 1,523 |

Source: SPSS processed data

Based on the results of the heteroscedasticity test with the Spearman rank-test, it shows that the significance value of the independent variables TEN (0.762), REP (0.776), PC (0.411) and control variables LEV (0.415) and SIZE (0.978) is more significant than 0.05, which means that the variable does not experience heteroscedasticity.

**Table 7. Heteroscedasticity Test Results**

| | | | TEN | REP | PC | LEV | SIZE | Unstandardised Residual |
|---|---|---|---|---|---|---|---|---|
| Spearman's rho | TEN | Correlation Coefficient | 1,000 | ,101 | ,562** | -,104 | .235* | -,031 |
| | | Sig. (2-tailed) | . | ,317 | ,000 | ,304 | ,019 | ,762 |
| | | N | 100 | 100 | 100 | 100 | 100 | 100 |
| | REP | Correlation Coefficient | ,101 | 1,000 | -,016 | -.291** | ,562** | ,029 |
| | | Sig. (2-tailed) | ,317 | . | ,878 | ,003 | ,000 | ,776 |
| | | N | 100 | 100 | 100 | 100 | 100 | 100 |
| | PC | Correlation Coefficient | ,562** | -,016 | 1,000 | ,060 | ,035 | -,083 |
| | | Sig. (2-tailed) | ,000 | ,878 | . | ,555 | ,732 | ,411 |
| | | N | 100 | 100 | 100 | 100 | 100 | 100 |
| | LEV | Correlation Coefficient | -,104 | -.291** | ,060 | 1,000 | ,076 | ,082 |
| | | Sig. (2-tailed) | ,304 | ,003 | ,555 | . | ,454 | ,415 |
| | | N | 100 | 100 | 100 | 100 | 100 | 100 |
| | SIZE | Correlation Coefficient | .235* | ,562** | ,035 | ,076 | 1,000 | ,003 |
| | | Sig. (2-tailed) | ,019 | ,000 | ,732 | ,454 | . | ,978 |
| | | N | 100 | 100 | 100 | 100 | 100 | 100 |
| | Unstandardised Residual | Correlation Coefficient | -,031 | ,029 | -,083 | ,082 | ,003 | 1,000 |
| | | Sig. (2-tailed) | ,762 | ,776 | ,411 | ,415 | ,978 | . |
| | | N | 100 | 100 | 100 | 100 | 100 | 100 |

Source: SPSS processed data

Based on the regression analysis results, the table shows that the D-W value is 1.817. If the dL and dU values are based on the D-W table, the dU < dw < 4 - dU becomes 1.7804 < 1.817 < 2.2196 so that the DW calculation results are more significant than dU and less than 4 - dU with results of 2.2196 which means there is no autocorrelation.

**Table 8. Autocorrelation Test Results**

| Type | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .772a | ,595 | ,574 | ,00608235 | 1,817 |

Source: SPSS processed data

**Table 9. Multiple Linear Regression Analysis Results**

| Coefficients | | | | | | |
|---|---|---|---|---|---|---|
| **Type** | | Unstandardised Coefficients | | Standardised Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| **1** | (Constant) | -,029 | ,012 | | -2,486 | ,015 |
| | TEN | ,001 | ,001 | ,205 | 2,352 | ,021 |
| | REP | -,005 | ,002 | -,291 | -3,609 | ,000 |
| | PC | -,005 | ,002 | -,256 | -2,979 | ,004 |
| | LEV | -,017 | ,002 | -,674 | -9,532 | ,000 |
| | SIZE | ,001 | ,000 | ,202 | 2,497 | ,014 |
| **a. Dependent Variable: KA** | | | | | | |

Source: SPSS processed data

From the table of multiple linear regression test results above, the regression formula can be obtained as follows:

Audit Quality = -0.29 + 0.001 Audit *Tenure* - 0.005 KAP Reputation - 0.005 Covid-19 pandemic - 0.017 *Leverage* + 0.001 SIZE + e

From the multiple linear regression above, it can be further concluded as follows: (1) The constant (α) = -0.029 negative value indicates that assuming the absence of variables TEN, REP, PC, LEV and SIZE, the quality of the audit (KA) measured by discretionary accruals tends to decrease; (2) The variable TEN = 0.001 positive value shows that assuming the absence of other independent variables means that if the audit *tenure* increases, the audit quality is likely to also increase; (3) The variable REP = -0.005 negative value shows that assuming the absence of other independent variables means that if the reputation of KAP decreases, the quality of the audit also decreases; (4) The variable PC = -0.005 negative value shows that assuming the absence of other independent variables means that if the COVID-19 pandemic decreases, the quality of the audit also decreases; (5) The variable LEV = -0.017 negative value states that assuming the absence of other independent variables means that if *leverage* decreases, the quality of the audit also tends to decrease; and (6) The variable SIZE = 0.001 positive value states that assuming the absence of other independent variables means that if the size of the company increases, the quality of the audit tends to increase.

**Table 10. Model Feasibility Test Results**

| Type | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | Regression | ,005 | 5 | ,001 | 27,671 | ,000b |
| | Residuals | ,003 | 94 | ,000 | | |
| | Total | ,009 | 99 | | | |

Source: SPSS processed data

The table of statistical test results F above shows that the F-calculated value is 27.671, and the probability is 0.000 < 0.05. Because the probability value of the F test is smaller than 0.05, it can be concluded that audit *tenure,* KAP reputation, the Covid-19 pandemic, *leverage,* and company size significantly influence audit quality. These results prove that this model includes fit models.

**Table 11. Results of the Coefficient of Determination**

| Model Summary | | | | |
|---|---|---|---|---|
| Type | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .772a | ,595 | ,574 | ,00608235 |
| a. Predictors: (Constant), SIZE, PC, LEV, REP, TEN | | | | |

Source: SPSS processed data

Based on the table of statistical test results F above shows that the value adjusted R square 0.574, which can be interpreted as 57.4% audit quality, can be described by the independent audit variable *Tenure*, KAP reputation, and the Covid-19 pandemic on audit quality using control variables *Leverage* and the size of the company. At the same time, other variables can describe the remaining 42.6% of audit quality.

**Table 12. Partial Test Results**

| Type | | Unstandardised Coefficients | | Standardised Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -,029 | ,012 | | -2,486 | ,015 |
| | TEN | ,001 | ,001 | ,205 | 2,352 | ,021 |
| | REP | -,005 | ,002 | -,291 | -3,609 | ,000 |
| | PC | -,005 | ,002 | -,256 | -2,979 | ,004 |
| | LEV | -,017 | ,002 | -,674 | -9,532 | ,000 |
| | SIZE | ,001 | ,000 | ,202 | 2,497 | ,014 |
| a. Dependent Variable: KA | | | | | | |

Source: SPSS processed data

**The Effect of *Audit Tenure* on Audit Quality.** The table above shows that the audit variable *Tenure* Obtained the t-count value < t-table, which is 2.352 < 1.98397 with a significant level of 0.021 < 0.05, and the direction of the coefficient marked positive. From the results of the hypothesis testing, it can be concluded that audit tenure has a positive and significant influence on audit quality, so H1 is supported.

**The Effect of Public Accounting Reputation on Audit Quality.** The table above shows that the KAP reputation variable obtained a t-count value > t-table of -3.609 > 1.98397 with a significant level of 0.000 < 0.05 and a negative coefficient direction. Regarding the results of testing the hypothesis, it can be concluded that the reputation of KAP has a negative and significant influence on audit quality, so H2 is not supported because the direction of the coefficient is opposite.

**The Effect of the Covid-19 Pandemic on Audit Quality.** The table above shows that the COVID-19 pandemic variable obtained a t-count value of > 1.98397 of -2.979 with a significant

level of 0.004 < 0.05 and the direction of the coefficient marked negative. From the results of the hypothesis testing, it can be concluded that the COVID-19 pandemic has had a negative and significant influence on audit quality, so H3 is supported.

**3.2. Discussion**

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

The table of partial test results shows that the **first hypothesis (H1)** that reveals "Tenure Audit has a positive effect on audit quality in manufacturing companies in the consumer goods industry sector listed on the IDX in 2016-2020" **is accepted.**

These results also support both theories used in the study. In agency theory, in addition to being a mediator for the interests of shareholders and managers, independent auditors are also needed to guarantee the fairness of a financial statement, so an experienced auditor is needed by having a long *tenure* audit period with clients to encourage the creation of understanding for an auditor of the company being audited. In attribution theory, audit *tenure* is an external factor owned by the auditor because the factor arises from the environment in which the auditor works.

This proves that audit *tenure* positively and significantly affects audit quality. The longer the tenure audit period with the client, the more the audit quality produced by the auditor will increase. Because of the extended period of the auditor's assignment, the auditor will have an increase in competence to detect accrual discretion carried out by the company.

In tune with research, Tjun (2019) states that audit Tenure has a Positive effect on audit quality because the longer the audit tenure, It will encourage the better understanding an auditor of the company being audited. This is supported by research conducted by Puspitasari (2017), which found that audit tenure affects audit quality. It is believed that the longer the audit period is, the more expertise the auditor has in detecting profit counterfeiting carried out by management.

**The Effect of Public Accounting Reputation on Audit Quality**

The table above shows that the KAP reputation variable obtained a t-count value > t-table of -3.609 > 1.98397 with a significant level of 0.000 < 0.05 and a negative coefficient direction. The results of the **second hypothesis test (H2)**, which states that "The reputation of KAP has a positive effect on audit quality in manufacturing companies in the consumer goods industry sector listed on the IDX in 2016-2020", **were rejected.**

These results support the attribution theory used in this study. In attribution theory, the reputation of KAP is also an external factor owned by the auditor because these factors arise from the environment in which the auditor works. However, this study rejects the statement on agency theory, which explains that company management will look for high-quality public accounting because investors and users of financial statements tend to rely on auditors' reputation as an indicator of the credibility of financial statements. Therefore, from the data collected, 58% of its financial statements are audited by *Non-Big 4 Public Accountants* and the remaining 42% are audited by Big 4 Public Accountants.

This proves that the reputation of KAP affects audit quality negatively and significantly. This negative direction shows more financial statements audited by non-Big 4 public accountants, which can also produce quality audits. This means companies usually will not appoint high-quality auditors when the company's condition is not good because the company needs to pay a higher fee. Therefore, Big 4 Public Accounting is considered to have

high quality so that it can detect company conditions that are not good and disclose them to the general public. So, it can be interpreted that companies will usually use *Big 4 Public* Accountants when their condition is in good condition, so Big 4 Public Accountants tend to provide unqualified opinions.

This is backed by research by Paputungan & Kaluge (2018), which explains that the reputation of KAP negatively affects audit quality because companies tend not to use KAP *Big 4* when the company's condition is not good. After all, it will cause the company to incur higher costs, so in that condition, the company will use KAP *Non-Big 4* with the hope that the KAP will not be able to detect the condition of the company.

**The Effect of the Covid-19 Pandemic on Audit Quality**

The table above shows that the COVID-19 pandemic variable obtained a t-count value of > 1.98397 of -2.979 with a significant level of 0.004 < 0.05 and the direction of the coefficient marked negative. The results of testing the **third hypothesis (H3)**, stating that "The Covid-19 pandemic negatively affected audit quality", **were accepted.**

These results also support both theories used in the study. In agency theory, in addition to being a mediator for the interests of shareholders and managers, auditors also guarantee the fairness of a company's financial statements they audit. However, the COVID-19 pandemic can be a tough challenge for auditors because of economic uncertainty that makes some companies breach debt contracts and follow profit-leveling practices, which can negatively impact investor confidence. This increases the assurance demands for investors to increase their confidence through quality audits. Meanwhile, in attribution theory, the COVID-19 pandemic is also an external factor owned by auditors because these factors arise from the environment in which auditors work.

This proves that the COVID-19 pandemic can negatively and significantly affect audit quality. During the Covid-19 pandemic, the audit quality was lower than in the period before Covid-19. This economic uncertainty can affect investor confidence in the company's financial capacity, which causes various financial difficulties, such that many companies violate debt contracts and carry out profit-leveling practices.

In tune with research, Yadav & Srivastava (2021) revealed that the Covid-19 pandemic negatively affected audit quality because the emergence of the Covid-19 pandemic caused economic uncertainty, which brought severe challenges to public accountants, which adversely affected investor confidence which could result in financial difficulties. In addition, given the high risk of pressure during COVID-19, it is likely that companies are breaching debt contracts and following profit-leveling practices.

## 4. Conclusion

Audit *Tenure* has a positive effect on audit quality. The longer the tenure audit period with the client, the more the quality of the audit produced. This can happen because the longer the auditor's assignment period, the more competence the auditor will have to detect accrual discretion carried out by the company.

The reputation of KAP negatively affects the quality of the audit. This proves that companies usually will not appoint high-quality auditors when the company's condition is not good because the company needs to pay a higher fee. Therefore, the company will use *Non-Big 4* Public Accountants, hoping they cannot detect its condition.

The Covid-19 pandemic has negatively affected audit quality. During the Covid-19 pandemic, the quality of audits was lower than before Covid-19. This economic uncertainty can affect investor confidence in the company's financial capacity, which causes various financial difficulties, such that many companies violate debt contracts and carry out profit-leveling practices.

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