Lowballing Reviewed from Auditor Reputation Factors, Audit Tenure, and Its Impact on Audit Opinion (Case Study at Public Accounting Firm of West Jakarta and South Jakarta)

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Abstract
This study aims to examine the influence of auditor reputation and audit tenure on lowballing and its impact on audit opinion. This study used a sample of 100 respondents who worked as auditors at Public Accounting Firm in the area of West Jakarta and South Jakarta registered in Directory of Public Accounting Firm 2016 published by Indonesian Institute of Certified Public Accountants (IAPI). This study uses primary data with questionnaires. Auditors who participated in this study include junior auditors, senior auditors, managers and partners who carry out auditing work. The analytical method used to test the hypothesis is path analysis. The results showed that the direct effect of Auditor's Reputation and Audit Tenure on Audit Opinion showed significant results. However, the indirect effect for each independent variable is different. Audit tenure indicates that there is an indirect effect through Lowballing while for Auditor Reputation there is no indirect effect through Lowballing.
Keywords: Auditor Reputation, audit tenure, lowballing, Audit Opinion, path analysis.

I. Introduction

The Company involves the Public Accounting Firm to conduct an audit of the financial statements in order to provide assurance to all users of the financial statements that the information contained in the company's financial statements is true, accurate, reliable and free from misleading information. Arens and Elder (2014) argue the audit is the collection and evaluation of evidence about information to determine and report the degree of conformity between information and predefined criteria. William F Massier (2014) argues that auditing is a systematic process of obtaining and evaluating objectively the evidence of such assertions with established criteria and communicating the results to interested parties. Raiy and Pann (2012) argue that the audit is an audit of a company's financial statements by an independent public accountant comprising the collection and investigation of accounting records and other evidence supporting the financial statements and understanding the control of the company by examining documents, observing assets, obtaining information relevant, and other procedures to determine whether the financial statements have provided a fair and quite complete to describe the company's financial position and its activities during the period under review.

Giving opinion aims to provide conclusions and assessment of the quality of audited company financial statements. Giving an audit opinion in the audit report is the final step of the entire set of audit processes. Thus, the opinion expressed by the auditor is the result of analysis and consideration professionally in accordance with the standard work. The audit report is a form of formal communication used by the auditor to convey the issues of concern during the conduct of the audit process to all interested parties. Audit opinion is stated by the auditor as the auditor's conclusion on the fairness of the financial statement contents in conformity with the prevailing principles and regulations. Thus the audit opinion as a source of information that can be used as a measure of the quality and fairness of a company's financial statements as additional information in the decision-making process.

Lowballing has the impact of an increase in income by the Public Accounting Firm at the subsequent engagement period by the client. Public Accounting Firm in the future certainly has a close relationship with the tenure Public Accounting Firm. Long tenure conditions have an associated commitment escalation associated with lowballing action to generate other income in the future (Moore, Tetlock, Tanlu and Bazerman, 2006).

The auditor's reputation is where the auditor is responsible for maintaining public trust and maintaining the good name of the auditor himself and the Public Accounting Firm where the auditor works by issuing opinions that are appropriate to the actual company situation (Verdiana and Utama, 2013). According to the research of Badera and Rudyawan, 2009 in (Putri, 2014) the reputation of the auditor is a public achievement and trust that the auditor holds on behalf of the auditor.

The longer tenure that an external auditor has, means improving the auditor's competence because the auditor knows more about the client's business, so the audit process is more efficient. On the other hand a audit tenure may undermine the independence of the auditor as a long period of fostering closeness between management and auditors (Junaidi, Hartono, suwardi and Muharjo, 2013).

Lowballing research on independence has been done by DeAngelo (1981). In his research entitled Auditor Independence, Low Balling and Disclosure Regulation, resulted in the conclusion that lowballing has no effect on auditor independence. Fatemi (2013) also conducted the same research and the result of lowballing had an effect on auditor independence. Similar to research conducted by Elitzur and Falk (1966) his research proves that Lowballing affects auditor independence but with dependent variable in the form of audit services. Lowballing's research on the provision of audit opinion is the development of Dye's (1991) argument that lowballing encourages the auditor to make an opinion that benefits the client at the beginning of the period and the condition is used by the auditor to earn income in the hope that the client will engage in the next period.

Audit tenure Research on audit opinion has been done among others by Krissindiastuti and Rasmini (2016) which proves that audit tenure has an effect on giving going concern audit opinion. This study support Shafie et al study (2009), which states that the company has never replaced the auditor since it was listed on the Malaysian Stock Exchange, there is a tendency to accept unqualified opinions even higher despite the company's financial problems.

Cases that occur in the business world associated auditor failure in detecting cheating is evident in the Olympus Coorporation scandal. camera manufacturer from japan. Olympus Corp. Olympus Corp., claimed to have hidden investment losses in securities firms for decades since the 1980s. The case came to light after Olympic CEO Michael Woodford's sacking. Woodford asked the company to explain about a suspicious transaction of $ 1.3 billion. After an investigation found a number of suspicious funds related to the acquisition with Gyrus, a manufacturer of medical equipment from the UK, the Financial Times in October 2011 reported there is an awkward opinion with KPMG related Olympus bookkeeping. No dispute between KPMG and Olympus was revealed to the public, but unfolded in the November 4, 2011 article in the Daily Telegraph. Similarly, the Ernst & Young Opinion which did not reveal any problems.
(Aliya&Rakhmatullah2011,finance.detik.com&m.indonesiafinancetoday.com)

The purpose of this study is to prove empirically about:
1. Audit Reputation Effect on lowballing
2. Audit tenure Effect on lowballing
3. Audit Reputation Effect on audit opinion
4. Audit tenure Effect on audit opinion
5. Lowballing Effect on audit opinion

The research is expected to provide benefits to researchers as a medium to apply theoretical knowledge that researchers have in real conditions. Can be used as reference material for other researchers related to issues concerning the influence of Auditor Reputation and audit tenure on lowballing as well as its impact on audit opinion. This research can be taken into consideration in giving opinion of audit to performance of Public Accounting Firm as a whole with level of professionalism in executing process of financial statement auditing. This research is expected to state the auditor about the importance of the role of auditors in performing their duties in addition to complying with audit standards and professional codes of ethics in order to provide the right opinion so as to increase trust to the users of the service auditor

II. Literature Review

2.1. Agency Theory

Jensen and Meckling (1976) in his theory say:

> *"Agency theory is about an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers there is good reason to believe that the agent will not always act in the best interests of the principal."*

Maximization of principal wealth will be submitted to parties who are considered professional to manage the company. Such professionals in the company are called management, which in agency theory is called an agent. In terms of agency theory with acceptance of going concern audit opinion agency in charge of producing financial statements as a form of management accountability. These financial statements will indicate the company's financial condition and are used by the principal as a basis for decision-making. From these financial statements can be seen how much the level of liquidity, firm size and corporate disclosure generated. Agent as a party that produces financial statements have a desire to optimize their interests, so it is possible the agent to manipulate data on the condition of the company (Rudyawan & Badera, 2008: 11).

2.2. Opinion

According to Tuanakotta (2014) Opinion Auditor depends on or based on audit findings. There are several important decisions the auditor must make, before signing a report that contains his opinion. The auditor's report shall contain a section entitled "Opinion" (ISA: 700.34). According to Tuanakotta (2014) the form of the Auditor Opinion consists of 2, namely: (1) **Opinion Without Modification**, Audit shall evaluate whether the financial statements refer or explain sufficiently, the applicable financial reporting framework (ISA: 700.15), the auditor shall provide an audit opinion not modified (WTP) when the auditor concludes that the financial statements are made, in all material respects, in accordance with the applicable financial reporting framework (ISA: 700.16) and (2) **Modified Opinion**, According to Tuanakkota (2014) if the financial statements are made in accordance with reasonable presentation frameworks, not achieving a reasonable presentation, the auditor shall discuss this with management depending on the terms of the applicable financial reporting framework and how the matter is resolved, the auditor shall determine whether it is necessary to modify the audit opinion in accordance with (ISA: 705). According Tuanakotta (2014) modification Opinion consists of 3 types: Fair Opinion by Exception (ISA: 705.7), Unnatural Opinion (ISA: 705.8), and No Expression Opinion (ISA: 705.10).

2.3. Lowballing

According to Lee and Gu (1998) Lowballing is offering lower fees by new auditors without expecting much benefit in the first year of audit assignment but, the auditor expects higher fees in the next year. This opinion is the same as that found by Patel and Prasad (2013). Auditors will only give a low price in their first year and will normalize in the next period, this is done to retain their audit clients in the next period and the auditor will cross the subsidy profit from non-audit work. DeAngelo (1981) states that lowbaling is the setting of audit fees below the current total cost estimated at the initial audit period, the competent auditor may estimate the future benefit from the utilization of transaction costs and the use of technology by setting an audit fee for the service fees they provide on future. Audit fees have gained more attention when the invention of lowballing patterns. When a lowballing occurs, the client will hire the services of the auditor who offer a low initial fee, where in the next period the auditor should provide a more expensive tariff and should focus on the client to acknowledge the profit that is in the relationship of the auditor with the client. According to the Working Letter of KEP.024 / IAPI / VII / 2008 dated July 2, 2008 concerning the Policy on the determination of the audit fee in Attachment 1 of the Working Letter of the Chairman, Indonesian Institute of Certified Public Accountants item 2 affirms the Member in determining the reasonable remuneration in accordance with the dignity of the public accountant profession and in appropriate quantities to be able to provide services in accordance with the demands of professional standards of public accountants in force. Returns of services that are too low or significantly lower than those imposed by other auditors / accountants, will cast doubt on the competence of members in applying the applicable technical standards and professional standards (Tuanakotta, 2011). The Working Letter of the Chair of the Indonesian Institute of Certified Public Accountants reflects the professional concerns of the Public Accountants Firm that impose low fees. Indonesian Institute of Certified Public Accountants seeks to provide an understanding of how to calculate the fee and the negative effect on the dignity of the profession if the audit fee is deliberately set low. However, the professional and regulatory perspective on audit fees is not always the same. Regulators of the audit profession in the world generally argue that auditor independence is sacrificed through reliance on non-audit services and excessive audit fees. In contrast, academics argue that the regulator "forgets" that the non-audit services provided by the incumbent auditor can actually improve the quality of the audit, the regulators also do not consider losses for auditors who are willing to sacrifice their independence.

2.4. Auditor Reputation

The auditor's reputation is where the auditor is responsible for maintaining public trust and maintaining the name of both the auditor itself and the Public Accounting Firm where the auditor works by issuing an opinion appropriate to the actual company's circumstances (Verdiana and Utama, 2013). According to the research of Badera and Rudyawan, 2009 in (Putri, 2014) the auditor reputation is a public achievement and trust that the auditor holds on behalf of the auditor.

2.5. Audit Tenure

In Tritschler's opinion (2013) audit tenure is the time the auditor accommodates their client, or the number of consecutive years the auditor has audited his client. The relationship between audit work duration (length of client) and audit quality has been discussed intensively and controversially in the literature. The longer the duration to hold the client, the more client-specific experience and client-specific knowledge can be accumulated. Conversely, with a long-standing client-auditor relationship, the threat of intimacy can disrupt independence (according to the author's translation). According to Myers et al., (2003) audit tenure is the number of years an auditor works within a company (client). Audit Tenure of a Public Accountants Firm is determined by the client company's management. The Company may make a change / rotation of Public Accountants Firm either voluntarily or by a mandatory obligation. The obligation of auditor rotation has obligations and weaknesses. The auditor's rotation can improve audit quality and audit independence through a reduction of client's effect on the auditor. Lack of effect allows the risk of loss of the client if the auditor does not approve the financial reporting options of managers (Farmer et al., 1987). The length of the relationship between the auditor and the client may also affect the auditor's decision to provide an audit opinion. Louwers (1998) also noted that the length of the auditor-client relationship influenced the auditor's tendency to issue a going-concern opinion. Therefore, the regulator stated that auditor rotation can improve audit quality and improve the quality of financial reporting process (Chi and Huang, 2004)

2.6. Previous Studies and Research Framework

Previous research results about lowballing and audit tenure on the decision of giving an audit opinion are as follows:

1. Research on Lowballing and Audit Tenure Against Audit opinion (2017) conducted by Firda stated that lowballing has an effect on audit opinion, while audit tenure does not have an effect on audit opinion.
2. Research on lowballing, audit tenure by Amilin, et al (2014) conducted in 61 respondents at Public Accountants Firm in Jakarta stated Lowballing proved to have a significant effect on audit opinion. Lowballing happens for competition in terms of getting clients.
3. Audit tenure in Krissindiastuti and Rasmini Research (2016) about factors affecting going concern audit opinion stated Audit tenure positively effect going concern audit opinion. The results show that the independence of the auditor is not disrupted by the length of engagement that occurs between the client and the auditor.
4. Research on the effect of Auditor Reputation, Disclosure, Audit Client Tenure, and Firm Size to Audit Going Concern Opinion (Empirical Study on Real Estate Company and Property Registered at Indonesia Stock Exchange Period 2010-2014) by Tria Kurniawati (2015) research indicates that the auditor's reputation, disclosure, and firm size have no effect on the acceptance of going concern audit opinion. Audit client tenure has an effect on acceptance of going concern audit opinion.
5. Research on the effect Analysis of Audit Rotation and Size of Public Accountant Firm on Lowballing Audit and Its Impact on Auditor Independence by Amanah (2016) The results show that the direct effect of audit rotation and the size of Public Accountants Firm to auditor independence showed significant results. However, the indirect effect for each independent variable is different. The audit rotation indicates that there is an indirect effect through the lowballing audit while for the size of Public Accountants Effect there is no indirect effect through the lowballing audit.
6. Totok Dewayanto Research (2011) auditor client tenure does not affect the acceptance of going concern audit opinion. This study results indicate that the auditor client tenure does not affect the auditor in providing a going concern audit opinion. Although a Public Accounting Firm conducts audit engagements with the same auditee over a considerable period of time, it does not affect the auditor in providing an audit opinion.
7. The research on lowballing in Fatemi (2012) states observing This research resulted in the view that auditors who engage in low-balling pricing strategies must maintain their independence attitude, and understand that management has an incentive to maximize the value of the firms they manage .
8. Patel and Prasad Research (2013) on lowballing argues that auditors provide non-audit services to recover low-balled audit fees. So the auditor must maintain their relationship with the client they are handling, then this means that the auditor must follow the request of their client to keep the audit fee structure low-balled.

Based on previous literature review and research, this study describes lowballing effected by Auditor Reputation and audit tenure.

a. Effect of Auditor Reputation on *Lowballing*

The greater the reputation of the Public Accounting Firm the greater the audit quality it provides. Large-scale auditors are also more likely to disclose the problems that exist because they are stronger at risk of control (Foroghi, 2012). According to Choi et al. (2010) Large Public Accountants Firm such as the big found provide higher audit quality compared to small, Public Accountants Firm which does not have a reputation. In the Regulation of the Minister of Finance (PMK) Number 17 / PMK.01 / 2008 stated that the company must make the replacement of auditors for 3 consecutive years and 6 years of books for Public Accounting firm conducting assignments. Some Public Accountants Firm benefit the rules. This is because an increase in external rotation of the firm's audit will make a profit contribution if the Public Accountants Firm apply a lowballing strategy so that the Public Accountants Firm can withdraw the clients lost due to audit rotation (Bleibtreu and Stefani, 2013). Fee payments on auditor changes significantly lowered audit costs in the year after auditor changes (Sewon and Wang, 2012). However, the practice of lowballing audit (discount fee) is the recommended alternative to the initial engagement that is done after the audit rotation (Simon and Francis, 1988). Thus the reputation of the auditor is alleged to affect the practice of Lowballing audit (discount fee) that is, if the auditor has a good reputation then the discount fee may not be a factor against the practice of lowballing or vice versa

b. Effect of *Audit Tenure* on *Lowballing*

Lowballing is a lower fee offer by a new auditor without expecting much benefit in the first year of an audit assignment but, the auditor expects high fees in the next year. Lowballing refers to a discount given at the time of first assignment by an external auditor when it has the potential to engage in long-term engagement with the client company (Lee and Gu, 1998). Lowballing is characterized by an initial pricing structure less than the total cost and can be increased according to the audit tenure. Thus the client will survive after the situation changes with the assumption that the client will pay more in the next period (Cialdinit, R. B., Capcioppo, J. T., Basset, R. & Miller, 1978 in Jonasson and Tungel, 2012). Fatemi (2013) observes that when there is lowballing, the manager will receive an engagement with the Public Accounting Firm, hoping the auditor will disclose the higher asset value so as to be trusted by the investor. Audit tenure is the length of time an auditor conducts audit work individually on a client measured by number of years. Long tenure audit can improve the auditor's competence because the auditor is more familiar with the client's business, so the audit process becomes more efficient. Thus, the audit tenure is expected to affect the practice of audit Lowballing (discount fee) is long tenure audit can increase the discount fee or vice versa.

c. Effect of Auditor Reputation on Audit Opinion

The greater the reputation of the Public Accounting Firm the greater the audit quality it provides. Large-scale auditors are also more likely to disclose the problems that exist because they are stronger at risk of control (Foroghi, 2012). According to Choi et al. (2010) Large public accounting firms such as big found provide higher audit quality in comparison with small yet reputable Public Accounting Firm.

d. Effect of *Audit Tenure* on Audit Opinion

Audit tenure is the length of time an auditor conducts audit work individually on a client measured by number of years. Long tenure audit can improve the auditor's competence because the auditor is more familiar with the client's business, so the audit process becomes more efficient. On the other hand a tenure audit may undermine the auditor's independence as a long period of fostering closeness between management and auditors (Junaidi, et al., 2013). Raharja (2007) states that the related factor between the relationship of the accountant profession and the business world is the source of income accountant almost all of its income comes from business companies. Factors associated with the close relationship of the accounting profession with the business world can be detailed as follows:

a) Financial dependency.
b) There is a confidential relationship between the auditor and the client. Relationships are a guarantee of this profession as if the auditor will whitewash the client and pressure to serve management.

e. Effect of Lowballing on Audit Opinion

Lowballing is a lower fee offer by a new auditor without expecting much benefit in the first year of an audit assignment but, the auditor expects high fees in the next year. Lowballing refers to a discount given at the time of first assignment by an external auditor when it has the potential to engage in long-term engagement with the client company (Lee and Gu, 1998). Competition among Public Accounting Firm is getting bigger because Public Accounting Firm is increasing, while company growth is not equal to growth of Public Accounting Firm. One way that Public Accounting Firm performed to face the competition by decreasing the fee. The condition provides an indication that the determination of audit fee is done subjectively, that is determined by one or on the bargaining power between the auditor and the client (Suharli and Nurlaelah, 2008). Lowballing is characterized by an initial pricing structure less than the total cost and can be increased according to the audit tenure. Thus the client will survive after the situation changes with the assumption that the client will pay more in the next period (Cialdinit, R. B., Capcioppo, J. T., Basset, R. & Miller, 1978 in Jonasson and Tungel, 2012). Fatemi (2013) observes that when there is lowballing, the manager will receive an engagement with the Public Accounting Firm, hoping the auditor will disclose the higher asset value to be trusted by the investor. Lowballing encourages the auditor to make an opinion that benefits the client at the beginning of the period and the condition is used by the auditor to earn income in the hope that the client will engage the audit in the next period (Dye, 1991).

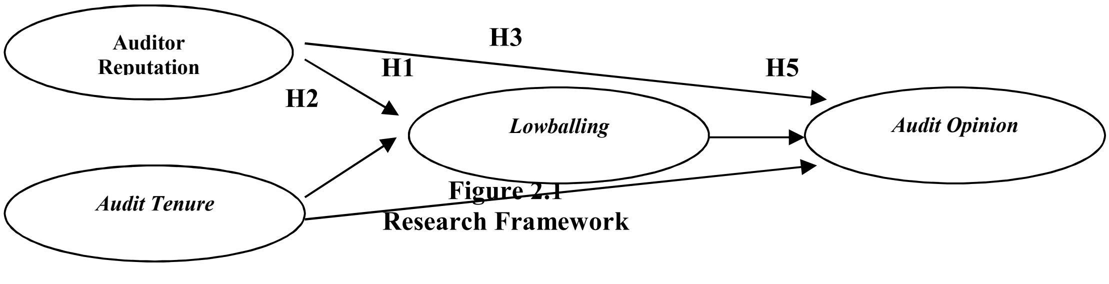


Figure 2.1
Research Framework

.7. Hypothhesis

Based on the theoretical basis and previous research, the hypothesis proposed by this research is as follows:

H1 : Auditor Repotation has an effect on *lowballing*

H2 : A*udit tenure* has an effect on *lowballing*
H3. : Auditor Repotation has an effect on audit opinion
H4 : *Audit tenure* has an effect on audit opinion
H5 : *lowballing* has an effect on audit opinion

III. Research Method

3.1 Research Method

This research uses a method of causal research with associative hypothesis that aims to test about the effect of one or more variables on the variable causality, between a variable (Indenpenden / Xn) with other variables (Dependent Variable / Yn). In this case it consists of: X1 = Auditor Reputation, X2 = Audit Tenure, and intervening variable Y1 = Lowballing and dependent variable Y2 = Audit opinion This research requires hypothesis testing with statistical test.

3.2 Definition and Operational Variables

Variables are everything that will be the object of observation in the research in the form of a concept that has variations in value. In this research will be revealed independent variable and dependent variable, independent variables are:

a) Auditor Reputation(X1) as Independent variable
b) Audit *Tenure* (X2) as Independent variable
c) *Lowballing* (Y1) as Intervening variable
d) Audit opinion (Y2) as Dependent variable

Operational definitions of variables is a definition given to a variable by giving a sense, as well as provide an operational needed to measure these variables. The Operational Definition Variables used by the author in conducting the preparation of research are:

a. *Lowballing* (Y1)

Lowballing is a lower bid by a new auditor without expecting much benefit in first-year audit assignments, lowballing refers to the discounts provided by the external auditor when performing the first assignment when it has the potential to engage in long-term engagement with the client company (Lee and Gu, 1988).

b. Audit Opinion (Y2)

Ardiyos (2016) in the Great Dictionary of Accounting writes the notion of the auditor's opinion as "a report made by the auditor after examining the findings relating to a company's financial statements".

c. Auditor Reputation (X1)

The auditor's reputation is where the auditor is responsible for maintaining public trust and maintaining the good name of the auditor himself and the Public Accounting Firm where the auditor works by issuing opinions that are appropriate to the actual company situation (Verdiana and Utama, 2013).

d. Audit Tenure (X2)

Audit tenure is the length of the auditor and client relationship measured in the number of years (Geigher and Raghunandan, 2002 in Junaidi and Hartono, 2010).

Table 3.1
Operasional Variabel

Variable	Dimensions	Indicator	Scale	Tools
Independent Variable				
(X1) Auditor Reputation	Reputation of Public Accounting Firm as a large Public Accounting Firm that has affiliation with International Public Accounting Firm	The reputation of the Public Accounting Firm is measured by the auditor's reputation as an accomplishment and public trust which the auditor holds on behalf of the auditor	Ordinal	questionnaire
		Assessing the reputation of a Public Accounting Firm is by using a Public Accounting Firm scale affiliated with the International Public Accounting Firm		
Source: This questionnaire refers to the research of Dian (2014) and Tria (2015)				
(X2) AuditTenure	1. Auditor Work Period	- According to government regulations, my engagement with the client for a maximum of 5 years		

	2. Auditor Experience	- The more complicated the task the auditor does, the longer the audit process is done	Ordinal	Questionnaire
		- Not all of the client's fault that I found, I reported for the length of the relationship with the client.		
		- The longer the audit conducted by the Public Accounting Firm, does not affect the audit quality.		
		- The longer audit clients, the closer the relationship between the auditor with the client.		
Source: This questionnaire refers to the research of Geigher and Raghunandan (2002)				
Dependent and Intervening Variable				
(Y2) Audit Opinion	1. Opinion Without Modification	- External auditors decide the audit results should be based on the fact that the meet in the audit process - Be able to coordinate with other sections or fields. - The external auditor shall obtain a complete accounting record which is required as evidence supporting the opinion of the fairness of the financial statements.	Ordinal	Questionnaire
	2. Modified Opinion	- unqualified opinions may be given on the basis of an accountant's examination if it believes that the financial statements presented are in conformity with generally accepted accounting principles and financial reporting framework.		
		- Adverse opinion is given according to the consideration of the external auditor, the overall financial statements are not presented fairly / misstated in accordance with generally accepted accounting principles.		
		- A disclaimer, if the auditor fails to obtain sufficient appropriate audit evidence, concludes that the financial statements do not represent the use of accounting principles.		
(Y1) *Lowballing*	.Low Fee	- Provide a discount on the first assignment of an external auditor to engage in a long term commitment to the client.	Ordinal	questionnaire
		- Providing a lower fee to the client will affect the report that will be provided by the auditor.		
		- A small Fee Audit will encourage the auditor to lack an opinion on the client's financial statements		
		- A non-independent auditor's attitude will affect the way thinking and agreeing to the wrong client's actions.		
Source: This questionnaire refers to Amilin research, et al (2014) and Lee and Gu (1998)				

3.3 Population and Sample Research

This research is conducted on public accountant (auditor) working in Public Accounting Firm which is in area of West Jakarta and South Jakarta. Auditors participating in this study include, partners, senior auditors and junior auditors who carry out the work in the field of auditing.

Data collection is done through direct questionnaires of the research directly by way of respondents and indirectly through intermediaries to respondents who work at Public Accounting Firm in West Jakarta and South Jakarta which has been registered in Directory of Public Accounting Firm 2016 published by Indonesian Public Accountant Institute. The study took samples from Public Accounting Firm located in West Jakarta and South Jakarta. Distribution and taking questionnaires are carried out in September - December 2017. Researchers took 10 public accounting firms from all public accounting firms located in West Jakarta and South Jakarta. The questionnaire that was distributed amounted to 133 pieces. But the questionnaire received only 100 questionnaires.

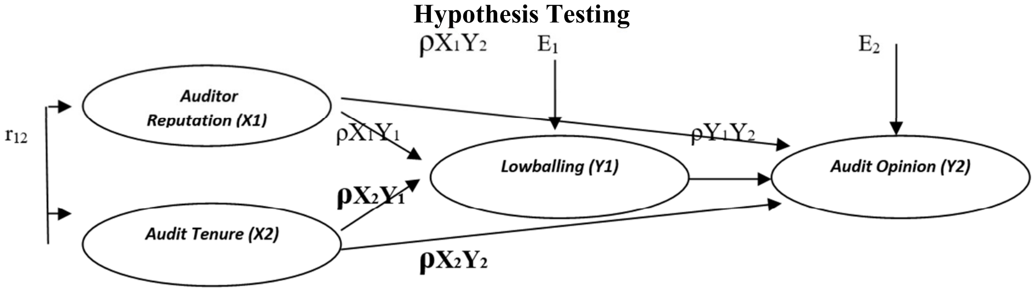
Hypothesis Testing

Data analysis used to test the hypothesis of this research is to use path analysis with the model of structural equation as follows:

Y1 = ρX1Y1X1 + ρX2Y1X2 + ρε1Y1
Y2 = ρX1Y2X1 + ρX2Y2X2 + ρY1Y2Y1 + ρε2Y2

Note:
ρX1Y1 : *Standardized coefficients*, direct effect path coefficient X1 on Y1.
ρX2Y1 : *Standardized coefficients*, direct effect path coefficient X2 on Y1.
ρX1Y2 : *Standardized coefficients*, direct effect path coefficient X1 on Y2.
ρX2Y2 : *Standardized coefficients*, direct effect path coefficient X2 on Y2.
ρY1Y2 : *Standardized coefficients*, direct effect path coefficient Y1 on Y2.
ε1 : other variable effect
ε2 : other variable effect
X1 : Auditor Reputation
X2 : Audit Tenure
Y1 : *Lowballing*
Y2 : Audit Opinion

Figure 3.1
Hypothesis Testing



IV. Results and Discussion

4.1. Descriptive Statistic

Table 4.2
Descriptive Statistic Testing Results
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TOTAL RP	100	6	20	12,47	3,128
TOTAL AT	100	11	23	16,63	2,744
TOTAL LB	100	10	30	24,22	2,932
TOTAL OA	100	12	30	25,27	2,811
Valid N (listwise)	100				

From table 4.2 above can be concluded that the number of respondents studied is a number of 100 respondents.

1. **Audit Reptation (X1)**
   From the analysis result obtained for Audit Reputation variable (X1) get minimum value 6, maximum value 20, while for mean value and standard deviation for lowballing variable is 12,47 and 3,128. The results can be from the total score of lowballing variables to 100 respondents.

2. **Audit Tenure (X2)**
   From the analysis result obtained for audit tenure variable (X2) get minimum value 11, maximum value 23, while for mean value and standard deviation for audit tenure variable is 16,63 and 2,744. The result can be obtained from total score of audit tenure variable to 100 respondents.
3. **Lowballing (Y1)**
   From the analysis results obtained for the variable Lowballing (Y1) obtained a minimum value is 10, the maximum value of 30, while for the average value and standard deviation for lowballing variables is 24.22 and 2.932. The results can be from the total score of lowballing variables to 100 respondents.
4. **Audit Opinion (Y2)**
   From the analysis result obtained for the dependent variable of audit opinion (Y) get minimum value 12, maximum value 30, whereas for mean value and standard deviation for dependent variable of audit opinion is 25,27 and 2,811. The result can be from total score of dependent variable of audit opinion to 100 respondents.

4.3. Normality Test Results

Table 4.3
Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	2,72249148
Most Extreme Differences	Absolute	,085
	Positive	,064
	Negative	-,085
Kolmogorov-Smirnov Z		,855
Asymp. Sig. (2-tailed)		,458

a. Test distribution is Normal.
b. Calculated from data.
Source: output SPSS versi 20.

Based on the above table 4.3 obtained that the test results above the value Kolmogorov-Smirnov Z of 0.85 and Asymp value. Sig. (2-tailed) 0.458 this means greater than the significance value of 0.05. From the value obtained one-Sample Kolmogorov-Smirnov Test above can be concluded and stated that the data is normally distributed and regeresi meet the normality assumption.

4.4. Hypothesis Testing Results and Discussion

1. **Equations of Model Path Analysis 1**

$$Y = 0.450\ X1 + 0.158\ X2 + 0.540\ \varepsilon 1$$

The result of determination coefficient for equation of path analysis of model 1 is 46% variable of audit opinion can be explained by Auditor Reputation and Audit Tenure variable. While the number of variables of audit opinion opinion that can not be explained by Auditor Reputation and Audit Tenure or in other words effected by other variables is equal to 54%. Result of F statistic test for equation of path analysis of model 1 is with value F equal to 8,664 and probability value (sig) equal to 0.003 because value of sig. <0.05, then the decision, meaning the coefficient of path analysis is significant, so it can be done individual test (t).

Table 4.4
Model Equation Test Results 1
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	16,491	1,898		10,898	,000
1	TOTAL RP	,334	,155	,450	2,137	,004
	TOTAL AT	,189	,171	,158	1,689	,200

a. Dependent Variable: TOTAL LB
Source: output SPSS versi 20.

From table 4.4 above, it is known that the test result of equation of path analysis model 1 shows the effect of Auditor Reputation and Audit Tenure variable individually.

1. Auditors Reputation Variables have a significance of 0.004 smaller than the probability sig value. or (0.004 <0.05), meaning that there is a significant effect between the audit Reputation on lowballing audit. The coefficient of the partial path (path coefficient) shows a positive relationship of 45.5%. This study results consistent Foroghi, (2012) The greater the reputation of the Public Accounting Firm the greater audit quality it provides. Large-scale auditors are also more likely to disclose the problems that exist because they are stronger at risk of control.
2. Audit Tenure Variables has sig value. 0.200 is greater than the sig probability value. or (0.200> 0.05), meaning there is no significant effect between Audit Tenure on Audit Opinion. The coefficient of the partial path (path coefficient) shows a positive relationship of 15.8%. this study results in supporrted b Fatemi (2013) observed that when there is lowballing the manager will receive an engagement with the Public Accounting Firm in the hope that the auditor will disclose the higher asset value so that it is trusted by the investor. Tenure audits are the length of time an auditor conducts audit work individually on a client measured by number of years. Long tenure audit can improve the auditor's competence because the auditor is more familiar with the client's business, so the audit process becomes more efficient. Thus, the audit of tenure is expected to affect the practice of Lowballing audit (discount fee) is long tenure audit can increase the discount fee or vice versa

2. Equations of Model Path Analysis 2

$$Y2 = 0.370\ X1 + 0.462\ X2 + 0.178\ Y1 + 0.245\ \varepsilon 2$$

The result of determination coefficient for equation of path analysis of model 2 is 75.5% Variable Auditor Opinion can be explained by variable of lowballing, Audit Tenure and Auditor Reputation. While the number of variances of Auditor Opinion variables that can not be explained by lowballing, Audit Tenure and Audit Reputation or in other words effected by other variables is equal to 24.5%. The result of F statistic test is 25,951 with probability value (sig) equal to 0.000 so the decision means the path analysis coefficient is significant, so that it can be done individual test (t).

Table 4.5
Model 2 Testing Results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	14,297	2,779		10,235	,000
	TOTAL LB	,454	,215	,370	2,627	,001
	TOTAL AT	,279	,231	,462	1,689	,004
	TOTAL RP	,169	,131	,178	1,783	,320

a. Dependent Variable: TOTAL OA
Source: output SPSS versi 20.

From table 6.5 above, the results of the equation test of path model 2 analysis show the effect of lowballing, Audit Tenure and Audit Reputation individually.

1. Lowballing variable has sig value. 0.001 is smaller than the sig probability value. or (0.001 <0.05), meaning that there is a significant effect between lowballing on Audit Opinion. The coefficient of the partial path (path coefficient) shows a positive relationship is 37.0%. This study results supported by Amanah (2016) that the direct effect of audit rotation and the size of the Public Accounting Firm on the auditors independence showed significant results. However, the indirect effect for each independent variable is different. Audit rotation indicates that there is an indirect effect through the lowballing audit while for the size of Public Accounting Firm there is no indirect effect through the lowballing audit.
2. Audit Tenure Variables has sig value. 0.001 is smaller than the sig probability value. or (0.001 <0.05), meaning that there is a significant effect between Audit tenure on Audit Opinion. The coefficient of the partial path (path coefficient) shows a positive relationship is 46.2%. This study results supported by Amanah (2016) that the direct effect of audit rotation and the size of the Public Accounting Firm on the independence of auditors showed significant results. However, the indirect effect for each independent variable is different. Audit rotation indicates that there is an indirect effect through the lowballing audit while for the size of Public Accounting Firm there is no indirect effect through the lowballing audit.
3. Audit Reputation Variables has a sig value. 0.320 is greater than the sig probability value. or (0.320> 0.05), meaning there is no significant effect between audit reputation on Audit Opinion. The coefficient of the partial path (path coefficient) shows a positive relationship is 17.8%. This study results supported by Foroghi (2012) The greater the reputation of the Public Accounting Firm the greater audit quality it provides. Large-scale auditors are also more likely to disclose the problems that exist because they are stronger at risk of control. According to Choi et al. (2010) Large public accounting firms such as big founders provide higher audit quality in comparison with small public accounting firms that do not yet

have a Reputation

V. Conclusion and Suggestion

1. Concusion

Based on the analysis and discussion of the research, it can be concluded as follows:

1. Audit reputation has a positive effect on Lowballing. Large-scale auditors are also more likely to disclose the problems that exist because they are stronger at risk of control.
2. Audit tenure does not have a positive effect on long tenure audit can improve auditor's competence because auditor know more about client's business, so audit process becomes more efficient. Thus, the audit tenure is expected to affect the practice of Lowballing audit (discount fee) is long tenure audit can increase the discount fee or vice versa.
3. Lowballing has a significant effect on Audit Opinion, Lowballing is said to have negative consequences (Magee and Tseng 1990 in Fatemi, 2013; Dopuch and King, 1996) because the auditor has a financial attachment to the client, so lowballing practices may damage the auditor's ability to behave independent of managers (Fatemi, 2013). However, when auditors receive a higher premium fee, auditors will be cautious of any threat to the independence of their performance (Gupta et al., 2009).
4. Audit Tenure has significant effect on Audit Opinion. the direct effect of audit rotation and the size of the Public Accounting Firm on auditor independence shows significant results. However, the indirect effect for each independent variable is different. Audit rotation indicates that there is an indirect effect through the lowballing audit while for the size of Public Accounting Firm there is no indirect effect through the lowballing audit.
5. Auditor Reputation has no significant effect on Audit Opinion, Large-scale auditors are also more likely to disclose existing problems because they are stronger at risk of control. According to Choi et al. (2010) Large public accounting firms such as big founders provide higher audit quality in comparison with small public accounting firms that do not yet have a reputation.

2. Suggestion

Based on the analysis, discussion and conclusions that have been described previously, the author gives suggestions that can be used as input or consideration for the parties concerned as follows:

1. Researchers then expected to add other variables that are more influential on the performance of auditors and also add items statement in the questionnaire so that later researchers can better know the factors that affect the audit opinion. Future research is expected to consider the questionnaire to be used in subsequent research. Further research for the distribution of questionnaires should be done not at the end of the year, because at that time the auditor enters the densest period of work. The researcher is then expected to expand the research sample by extending the research object.
2. For the Public Accounting Firm in order to follow the Government Regulation article 11 PP.20 of 2015, explains that the provision of audit services to historical financial information as referred to in Article 10 paragraph (1) letter a to an entity by a public accountant shall be a maximum of 5 years books in a row about the length of the audit period.
3. Future research is expected to be more qualified and useful again by adding some things such as: can obtain data through other sources such as interviews of some respondents so as to better describe the real situation and avoid filling questionnaires incorrectly and can expand the survey area other than from the addition of the number of respondents for the results of the study can describe the actual phenomenon occurs.

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