Original Research Article

Audit quality to manage sustainable auditor reputation

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The purpose of this paper is to examine the relationship between audit quality and the sustainable reputation of auditors in Indonesia in relation to the implementation of a regulation by the Finance Minister of the Republic of Indonesia on public accountant audit services (PMK no.17/PMK.01/2008). This study applies quantitative method by conducting a survey. Multiple regressions is used to evaluate the relationship between auditors' opinion and their sustainable reputations. The sample selection is based on convenience sampling derived from the auditors' opinions to seek their own internal competitive advantages. Audit quality is measured with composite measurement dimension - audit quality metric score (AQMS), namely: size, industry specialization, audit tenure, client importance, and going concern opinion. The findings suggest that audit quality influence significantly and positively to the sustainable reputation of auditor.

Key words: Audit quality, Audit Quality Metric Score (AQMS), sustainable reputation, auditor, public Accountant Firm.

INTRODUCTION

The profession of public accountant and the performance of Public Accounting Firms (Accounting Firms) remains to be controversial after gaining the general public's attention over the last few decades. Cases such as Enron, Tyco, WorldCom, Global Crossing in the United States and Kimia Farma, Telkom, and Bank Lippo in Indonesia have invoked questions about the credibility of public accountants and Public Accounting Firms. The quality of audit was also questioned during the Asian crises in 1997, not only in Indonesia but also in other Asian countries. The World Bank questioned the audit quality of the Big Five Accounting Firms operating in Asia,due to several East Asia companies receiving unqualified opinion from Big Five Accounting Firms, which later show that those opinions were inadequate (Johl et al., 2007). Audit Quality attracts major attention from the International Accounting Auditing Standard Board/IAASB USA since external auditors play a large role in producing good quality financial reports in the context of capital market, public and non-public sector. Good audit quality requires good working quality from public accountants and Accounting Firms as the substance.

One of the work quality measurements of public accountants and Accounting Firms is the quality of audit over corporate financial reports with an output in the form of an audit report. The financial report scandal involving public accountants and Accounting Firms causes the continued questioning on the quality of audit they produce. Auditors play an important part in guaranteeing the upkeep and output quality of a financial report. Despite that fact, the competence, credibility and independence of these auditors remains in question when it comes to performing their duty as corporate financial report examiners.

Audit quality is defined as the probability detection of errors and breaches of regulation and policies to report manipulations or misrepresentation of financial report material which will increase material uncertainties and/or going concern issues (De Angelo, 1981; Carlin et al., 2009).

The audit quality in Indonesia can also be associated with the concentration of audit market development. There are 479 Accounting Firms in Indonesia, spread across 33 provinces. Around 156 public companies are audited by four Big Four Accounting Firms and about 248 public companies are audited by the second tier accounting firms. On average, from the income aspect, 76% of the 404 public companies were audited by big four Accounting Firms, and the remaining 24% were done by second tier Accounting

Firms in 2009 (Tuanakotta, 2011). Furthermore, from the capitalization value of 404 public companies, 78% were audited by big four Accounting Firms while the remaining 13% were handled by second tier Accounting Firms.

Several research results found that the audit quality improved when the financial report audit is conducted by big four Accounting Firms. Despite this fact, the market share in majority being concentrated to big four Accounting Firms still do not provide answer for the financial report scandals such as earnings management practices that involved management and public accountants. The audit market's concentration on big four Accounting Firms for public Indonesian companies bears no guarantee for good audit quality. This could lead to an unequal market competition development for accounting firms.

Research on audit quality in Indonesia still varies, there has yet to be strong evidence on the indication between the difference in performance of big four and non-big four accounting firms. Even though the Indonesian governments have issued and continually improve the regulation on public accountant services and accounting firms, (year 1954, 2002, 2008, and 2011) financial report scandals continue to exist and the role of the regulation continues to be questioned. Siregar et al. (2011) conducted an empirical research on the effects of audit tenure over audit quality in Indonesia on the periods before and after the implementation of KMK no.423/KMK.06/2002 about the rotation of public accountants and accounting firms. Results found that the regulation needed to be evaluated for longer audit tenures and audit rotation do not increase audit quality.

Another research shows that the implication of both legal and audit quality in Indonesia showstendencies of being in poor quality and compromised (Leuz et al., 2003; Machesi, 2000). Research in the United States also shows that the Sarbanes Oxley (SOX) regulation dramatically improved the profession of public accountant and control how accounting firms conduct their business, however there is a slight doubt that the SOX will have adequate psychological effect on investor's trust in the financial report being audited.

This research aims to analyze audit quality by measuring the composite audit quality dimensionthat is AQMS (Audit Quality Metric Score).   AQMS is a multidimensional measurement of the competence and independence aspects in managing sustainable auditor reputation. Thus, the major motivation to conduct this study is derived from questioning whether audit quality has influence over sustainable auditor reputation. Sustainable reputation has become a big concern for accounting firms presently due to the scarcity of experienced public accounting human resources and the mandatory auditor rotation. The issue of sustainability also developed vastly these recent years in relation to reputation maintenance and stakeholder interests (Gunawan et al., 2007).

This research is limited to the opinion survey of Indonesian accounting firms auditors on the sustainable reputation of auditor in association with the regulation limiting the period for audit service provider based on

Finance   Minister   Decree   number   17/PMK.01/2008. Management of auditor's sustainable reputation is limited to studies in relation to internal competitive advantage and the human resources aspect of auditor.

Literature Review

Audit Quality

The need for audit began from the monitoring role of auditor in the relationship between agents and principals. The role of auditor is expected to suppress conflicting interests in moral hazard issues. When there is a conflict of interest between the principal and the agent where the agent is unable to perform in the principal's interest, then to avoid or minimize differences from the agent's interest the principal would establish a monitoring system. One of the monitoring mechanism is audit quality, which help decrease information asymmetry and protect the interest of the principal, especially shareholders and potential shareholders, by providing assurance under the reasoning that the financial reports presented by the management is free from material misstatement (Watts and Zimmerman, 1986). Researches prove that with an increase in conflict between stakeholders, the need for audit and audit quality also increases (Fernando et al., 2010). The ability to detect and the wisdom to report material manipulation or misstatement depends on the ability of the auditor (Johl et al., 2007).

IAASB through *International Standards on Auditing* (ISAs) and *International Standard on Quality Control* (ISQC) provides standards as the basic effort to produce good audit quality. Schilder – IAASB Chairman of 2011 says that the context of audits conducted continually adapts to keep up with the changes of the business environment, financial report standardization, regulations, and technology; therefore intrinsically speaking, audit is an activity that continues to develop with time. Audit quality is not a program with a definitive result, it is a process to ensure continual improvement in each elements. Audit quality evolves along with the environment where the audit was conducted. Audit Quality reform as a whole should not dismiss any other efforts for a complete reform along with the other elements. De Angelo (1981) defined audit quality as the markets' judgement over the probability of the detection of material misstatements in financial reports by an auditor and of the auditor actually reporting the misstatement. Audit quality study in Indonesia generally use the size of Big four accounting firm (Herusetya, 2012), industry specializations (Mayangsari, 2004; Herusetya, 2009), or audit tenure (Pujilestari and Herusetya, 2013; Siregar et al., 2011).

Research on the effects of audit quality measurement based on the size of the accounting firm garnered various kinds of results. Several researches found that the size of the accounting firm affects audit quality. Khalil (2011) found that the clients of big four accounting firms reported material and systematical weaknesses significantly lower

than the clients of non-big four accounting firms, especially in the years 2005 and 2006. De Angelo (1981) and Carlin et al. (2009) argues that big accounting firms not only possess technical and processing skills, but they also have higher brand equity and tend to concentrate to protect it. A big client portfolio will enable them to withstand client pressure. The size of an accounting firm is the most important factor that affects the independence of an auditor; followed by audit tenure, competition, audit committee, the providers of the consulting services for the company management, and the size of fees (Bakar et al., 2005). Companies that are clients of big four accounting firms report *discretionary accrual* decreases significantly more than the clients non-big four period after the Sarbanes Oxley Act (Fafatas, 2010).

This research performs audit quality measurement by ways of audit quality metric score (AQMS) dimension composite which covers multidimensional aspects. The multidimensional aspect covers the auditor competence and independence aspect. AQMS measurement uses s*ize,* industry specialization, audit tenure, client importance, and going concern opinion as a multidimensional measurement.

Sustainable Auditor Reputation

Apart from being responsible in providing opinion of the audit results, auditors also have to take into account the sustainability of its clients (Praptitorini and Januarti, 2011). In relation to paying attention to the client's sustainability auditors must provide accurate opinion, while managing their own sustainable reputation. The management of an auditor's sustainable reputation is by ways of maintaining audit quality while withstanding the fast pace changes of the business environment. The auditors' challenge is to maintain its audit quality and avoid lawsuits against their party for audit failure.

Tangpinyoputikhun and Thammavinyu (2010) presented reputation as an organizational identity that covers focus and everything that the organization does. The focus covers four activity areas such as product or services produced or marketed, (physical) environment of the production process and selling – how activities are presented and marketed, and behavior - how members of the organization behaves towards one another and to other people.

Auditors and accounting firms perform development learning by making continuous improvements. Continuous improvement shows the learning characteristics of an auditor, where the main knowledge is gained through education and training about accounting and audit program, communication or interaction with external environment such as clients and others or between auditors. In other words, through dialogues and participating in group decision making process. This will encourage new levels in thinking and idea creation, creativity, perspective, and knowledge (Wong and Chueng, 2008). Tangpinyoputikhun and Thammavinyu (2010) argued that the construct for reputational focus has various constituents, not limited to those related to economic efficiency but also non-economical things.

Audit quality and sustainable auditor reputation

Sustainability in corporate sustainability aspect is related to business strategies and investment by using best business practices to achieve and balance the present and future interest of stakeholders, according to a report by the United Nations World Commission on Environment and Development 1987 (Tangpinyoputikhun and Thammavinyu, 2010). Many researches related to the performance of corporate sustainability are focused on three factors: the corporate sustainability performance level, corporate finance performance level/quality of the corporate sustainability disclosure (Tangpinyoputikhun and Thammavinyu, 2010). The performance of accounting firms and public accountants that concerns sustainable reputation can also be viewed as a catalyst towards a new direction where individual performance becomes the competence indicator of public accountants. At this point, auditors have the chance to develop their sustainable reputation; however there is a need to have continuous incremental improvements. Auditors of the future must build good individual reputations in order to have sustainable competitive advantage in order to achieve high performances in the activity diversification area.

Ussahawanitchakit (2011) found that audit experience, audit independence and audit professionalism has the potential to have positive impact on audit performance and audit quality. Tangpinyoputikhun and Thammavinyu (2010) studied the effects of professional knowledge and personal ethics towards sustainable reputation through audit quality. Professional knowledge directly affects audit quality, personal ethics is a complement that has a bigger effect on audit quality. Professional knowledge, audit quality and personal ethics are found to have a positive relationship towards audit quality. Furthermore, it is revealed that there are no moderation effects from personal continuous improvement in the relationship between level of audit quality and sustainable reputation, even though in reality there is a positive relationship between the level of audit quality and sustainable reputation(Figure 1).

Auditors with good audit quality will have the tendency to protect their reputation in situations where there is a high threat to their independence. In consequence, the auditors will use their audit results to maintain their reputation in the long run. The sustainable reputation of auditor and accounting firms is also perceived to be important, as one of the competitive advantages in the audit market, therefore this research builds the following hypothesis:

Ha: Audit quality has a positive relationship with the sustainable reputation of the auditor.

Research Design

Audit quality is measured in this research using the composite measurement dimension of Audit Quality Metric

Figure 1:Frame of Model

Score (AQMS) with five quality measurements which are audit size, specialization industry, audit tenure, client importance and going concern opinion. This research is a quantitative research using the descriptive analysis method for hypothesis testing by examine the relationship model between the independent variable with the dependent variable using SPSS 22.0

Herusetya (2012) did not found the composite measurement for audit quality to have a higher validity over conventional measurement in a study between composite measurements (AQMS) versus conventional measurement for audit quality. The measurement of Big Four accounting firms as the sole proxy has a higher validity over other proxies in AQMS. This research continues the study by putting the testing through audit quality dimension - Audit Quality Metric Score (AQMS). The questionnaire of sustainable reputation is developed based on auditors' internal competitive advantage for maintaining their sustainability in relations to the Decree of the Finance Minister no.17/PMK.01/2008. The questionnaire regarding the sustainable reputation aspect is derived from the work of Tangpinyoputhikhun and Thammavinyu (2010) and Nagy and Cemker (2007). The measurement for Audit Quality Metric Score (AQMS) covers a multidimensional approach of both competence and independence.

Population and Sample

The population of this study is the number of auditors working in Indonesian accounting firms in the Jakarta area. The sample selection was based on convenience sampling and is stratified based on the working experience of public accountants which are divided into senior/supervisor/partner levels in accounting firms. The sample is the randomly taken from participants of senior/supervisor/partner level trainings at the Institute of Indonesian Public Accountant Association (IAPI) and by contacting the accounting firms through email within a three month period (January to March 2015). As many as 100 questionnaires were sent and 85 questionnaires were

returned.

Type and Source of Data

The types of data in this research are primary and secondary data. The questionnaire is developed based on the auditor's internal competitive advantage aspect regarding to the Decree of the Finance Minister no.17/PMK.01/2008, with a pilot study conducted beforehand to auditors at Indonesian accounting firms. The respondents in this research are employees of accounting firms at the level of senior, supervisor, or partner who performs financial report audit for companies that are listed in the Indonesian Stock Exchange.

Empirical Research Model

The Effect of Audit Quality towards the Sustainable Reputation of Accounting Firms

Hypothesis testing

$SR = \alpha_0 + \alpha_1 AQMS + e_{it}$

Expected Hypothesis: $\alpha_1 > 0$, the coefficient will increase along with sustainable reputation (SR). SR is the sustainable reputation of auditor that is measured from the questionnaire survey results. Measurement aspect of SR consist of professional knowledge , personal ethics, continuous improvement, gender, the age of the auditor, experience is the number of years of the auditor's working experience, whereas all the aforementioned aspects are expected to have a positive relationship with audit quality and sustainable reputation (Tangpinyoputtikhun and Thammavinyu, 2010). Professional knowledge and personal ethics of auditors are perceived to be an individual resource that provide competitive advantages over competitors.

Variable Measurement

Independents variables are variables that affect the

dependent variables whether positively or negatively (Sekaran, 2009). The independent variable in this research is audit quality. Audit quality is measured with the composite dimension measurement of Audit Quality Metric Score (AQMS).

Audit Quality Metric Score (AQMS) is the amount of score out of five audit quality proxies which covers the competence dimension (size of accounting firms, industry specialization, audit tenure) and the independence dimension (client importance, going concern/GC opinion and accuracy of reporting of GC opinion). The process to produce score from AQMS is by scoring every proxy, if the sample's company fulfill the criteria of a high audit quality =1, and if not=0. The highest score probability is 5.

The proxies of the audit quality components are as follows:

Accounting Firms / audit firm size (big four)

The size of accounting firms (big four) is one of the indicators of high audit quality (Teoh and Wong,1993; Becker et al., 1998). High audit quality is measured with big four and a score of 1 is given if they belong to a big four accounting firm, and a score of 0 if not.

Accounting Firm Industry Specialization Auditor (SPCL)

Industry specialization Auditors for certain industries have higher abilities to detect earnings management compared to unspecialized accounting firms auditors (Balsam et al., 2003; Jenkins et al., 2006; Kwon et al., 2007; Gul et al., 2009). SPCL is given a score of 1 if the accounting firm owns a large market share (rank 1-3) in the industry they serve, measured by the total ratio of client assets in an industry divided by the total assets of all clients audited by all accounting firms in an industry, and 0 if not.

Audit Firm Tenure (Tenure)

Previous researches have shown various results about the relationship between audit tenure and earnings management proxy. To study the relationship between audit tenure and earnings management, with data from 2010 to 2012 and those that follow (Johnson et al., 2002; Carcello and Nagy, 2004), the tenure of audit firms are divided into two groups, short term tenure (SHORT=0) if the client had been audited by the accounting firms for three years or less, and LONG =1 if it is three years or more.

Client Importance

Client Importance studies the auditor's tendency to have economic dependence that might decrease the independence of the auditor (Frankel et al., 2002; Craswell et al., 2002; Chung and Kallapur, 2003; Chen et al., 2010). Following the lead of Chen et al (2010), the algorithm used is the sum of client's assets is used as the economic dependency proxy, which is written as:

$$CI_{it} = SIZE_{it} / \left[\sum_{i=1}^{n} SIZE_{it} \right]$$

Where:

CI_{it} : client importance, is the ratio of the accounting firm's economic dependence to client i on year t

$Size_{it}$: the total sum of assets (logarithm) from the number of clients audited by the accounting firms in year t.

The research uses CI to measure an increasing audit quality, if the ratio of CI in the interval of $\mu-\sigma \leq CI \leq \mu+\sigma$, where μ is the mean score of the CI ratio, and σ is the standard deviation of the CI ratio. If the CI ratio value is within the CI interval, then the score will be 1 and 0 if vice versa.

Going Concern Opinion and Reporting Accuracy (RQA)

RQA is measured with: A score of 1 if the accounting firm issued a GC opinion within a current year, and the following year is in the financial distressed condition; and 0 if not; or a score of 1 if the accounting firm did not issue a GC within a current year, and in the following year the client is not in a financial distressed condition. According to Reynold and Francis (2001) and Defond et al. (2002) the financial distressed condition is when one of these conditions is met: negative cash flow from operational or suffering from net loss.

The AQMS composite dimension measurement not only covers perceived audit quality but also actual audit quality which is why the measurement is conducted through questionnaire survey for auditors. The questionnaire is developed based on the five measurements for AQMS which are size, industry specialization, audit tenure, client importance, going concern opinion with reference to Decree of the Minister of Finance no.17/PMK.01/2008 using a five-point Likert scale; 1 = Strongly Disagree, 2= Disagree, 3= Somewhat Agree, 4= Agree, 5= Strongly Agree. Respondents in this questionnaire survey are auditors from accounting firms in Indonesia in the capital area of Jakarta of the senior/supervisor/partner level.

Dependent Variables

The dependent variables in this research are:

Sustainable Reputation

The measurement of an auditor's sustainable reputation uses six measurements that that affects auditors' and accounting firm's sustainable reputation which are professional knowledge, personal ethics, personal continuous improvement, gender, age, and auditor experience (Tangpinyoputthikun and Thammavinyu, 2010) using questionnaires sent to respondents with a five-point Likert scale; 1 = Strongly Disagree, 2= Disagree, 3=
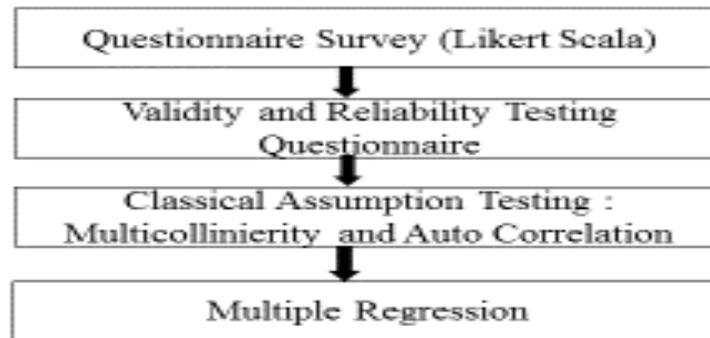
Figure 2:Questionaire Survey Data Analysis Flow

Somewhat Agree, 4= Agree, 5= Strongly Agree.

Testing the relationship between the Independent Variable and Dependent Variable

The quality of the data is tested using *Statistical Production and Service Solution* (SPSS 17.0). The instruments used to measure the quality of the data in this research are validity and reliability. The validity and reliability are used to determine the level of consistency and accuracy of the questionnaire survey results gathered.

Validity Testing

This test is utilized to measure whether a questionnaire is valid or not by comparing the r $_{calculated}$ coefficient with the r$_{tabel}$ using a degree of significance (α) of 5% from the degree of freedom (df) = n-2, in this case *n* is the number of samples (Sujarweni, 2009). Validity testing is done using the SPSS program as follows:

a. If $r_{calculated} > r_{tabel}$, then the item is valid.

b. If $r_{hitung} < r_{tabel}$, then the item is not valid.

Reliability Testing

According to (Sujarweni, 2009) the reliability is a measurement of the stability and consistency of the respondent in answering items concerning constructs that are a dimension of a variable and formed in a questionnaire. The reliability testing in this research uses the Cronbach's alpha reliability test. If the alpha value is > 0.60 then it is reliable. If it is < 0.60 then it is not reliable.

Descriptive Analysis Statistics

The analysis here is used to determine several data characteristics such as the mean, median value and standard deviation. The descriptive statistic concerns the data gathering and summary, and a presentation of said research. Several classical assumption tests were also done (normality, multicollinearity, heteroscedasticity).

Classical assumption testing

Before conducting hypothesis testing, the data used in this research undergoes classical assumption test. The data normality test uses the Kolmogorov Smirnov test. If the value of sig > 0,05 then the data is distributed normally. If the value of sig < 0,05 the data is not distributed normally. The multicolineriarity test is conducted to know the Variance Inflation Factor (VIF), if the results is between 1-10, and multicolineriarity did not occur. And the heteroscedasticity tests whether there is a difference between the residual variance in one monitoring period to another.

Regression Analysis

The regression analysis used in this research is multiple regression analysis. The measurement of multiple regressions uses SPSS 17.0 as tool. Multiple regression analysis is conducted to see whether there is a partial relationship between the independent and dependent variable. If sig > 0,05 then hypothesis is rejected. If sig < 0,05 then hypothesis is accepted. Regression is conducted to see the relationship between audit quality with the composite measurement dimensions of the AQMS towards the sustainable reputation of auditors and accounting firms. In brief, the flow of questionnaire data analysis for hypothesis testing is presented in Figure 2.

RESULTS

Descriptive Statistics

Based on the data analysis a mean of 3.43 is found for the AQMS dimension measurement and 3.92 for sustainable reputation. The standard deviation for AQMS is 0.42 and for SR it is 0.37 (Table 1).

The descriptive statistic characteristics of the public accountant respondents who filled out the questionnaire are public accountants at the level of senior, supervisor and

Table 1 .Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviation
AQMS	85	2.04	4.04	3.4376	.42692
SR	85	2.00	5.00	3.9294	.37319
Valid N(listwise)	85				

Table 2. Results from Regression Test

Coefficients[a]

Model		Unstandardized coefficients		Standard Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.349	.326		10.270	.000
	AQMS	.169	0.94	.193	1.794	.076

a.Dependent Variable:SR

partner from big four and non-big four accounting firms in Indonesia. Out of 100 questionnaires sent out 85 questionaires were returned. The characteristics of the respondents are 64 male and 21 female, with an age group of 25-30 years old = 61 respondents, 30 $\geq$ 40 years old = 8 respondents, > 40 years old = 16 respondents; with the level of education of bachelor degree= 77 respondents and masters = 8 respondents; and working experience at accounting firms of 1-3 years = 58 respondents, 3-5 years = 15 respondents, more than 5 years = 12 respondents. The higher the AQMS measurement for audit quality the more useful it is to manage the sustainable reputation of accounting firms and public accountants.

The reliability test for the questionnaire to measure sustainable reputation resulted with a Cronbach's alpha of 0,807 which indicates that the data is reliable. The validity testing for eleven questions that measure sustainable reputation resulted with seven valid questions. The data validity testing covers 25 valid questions with a Cronbach alpha ranging between 0,869 to 0,878.

Regression Test

Hypothesis testing shows that measurement of the five AQMS proxy dimensions (size, industry specialization, audit tenure, client importance, going concern opinion) positively affects the auditor's sustainable reputation with a coefficient of 0.169 and value of significance of 0.076 at marginally significant $0.05 < \alpha < 0.1$ (Table 2). A high audit quality influences the protection of an auditor's sustainable reputation. Based on the average from the overall mean score calculation, shows that in average respondents stated their agreement that the biggest determinant for the future sustainable reputation of an auditor are the product and service they produce with an average of 4,03 and professional knowledge and personal ethics factor with an average of 4,02. The resiliency of sustainable reputation not only depends on the economic aspect but also the non-economic factors. The product and services aspects hold the

biggest impact towards sustainable reputation. The average composite of 3, 97 shows that professional knowledge and personal ethics factors have the highest impact towards sustainable reputation.

DISCUSSION

Previous studies have found positive effect between professional knowledge (as a measurement of sustainable reputation) on audit quality (Tangpinyoputtikhun and Thammavinyu (2010). Additionally, they found that personal ethics have positive influence to audit quality. In contrast, they showed that no affect of a moderator – personal continuous improvement on the relationship between audit quality and sustainable reputation. This result implies that different level of audit quality does not influence sustainable reputation. However, the positive relationship between audit quality and sustainable reputation exists. They also argued that the reputation-focused construct is made out of various constituents which are not only related to economic efficiency, but also non-economic matters. This is inline with the results from this research which indicates audit quality measured based on auditor competence and independence aspect has positive influence towards the sustainable reputation of auditors.

Findings of this study support and complement the AQMS measurement with the opinion survey of AQMS measurement in relation to the Decree of the Minister of Finance no. 17/PMK.01/2008 in Indonesia. The results show that audit quality measured on the five proxies (size, industry specialization, audit tenure, client importance, going concern opinion) has positive influence towards the managing of auditor's sustainable reputation from the aspects of professional knowledge, personal ethics, products and services produced by the auditor's practice environment, published information, and auditor behavior. The average results of the questionnaire survey shows that the product and service produced factor has the biggest

influence over an auditor's sustainable reputation, while based on composite average the factors are professional knowledge and personal ethic.

In line with Tangpinyoputthikun and Thammavinyu, (2010) a high professional knowledge will lead to audit quality and reflect to their sustainable reputation as well. They suggest that important auditors operate their professional knowledge to increase audit quality through upward reliability of sustainable reputation. Growth and sustainability are key success factor in auditor competitive advantage. For auditors of the future must build a good reputation to increase the sustainable competitive advantage in order to achieve high performance in the area of activity diversification.

CONCLUSION

This study shows that audit quality is significant in managing sustainable auditor reputation. Sustainable auditor reputation that sources from internal competitive advantage, like professional knowledge, personal ethics, continuos improvement, gender, age, experience is the key success factor for auditor existency (Tangpinyoputthikun and Thammavinyu, 2010). Based on this study, audit quality measurement (size, industry specialization, audit tenure, client importance. and going concern opinion) holds positive influence in managing sustainable auditor reputation.

This research has implications towards academics, regulatory, accounting firms and individual auditors. For future studies, it is recommended that researches also incorporate the moderation effect of good corporate governance from the clients who are being audited, thereby including the role of the client in the development of audit quality and the development of audit quality with reference to the supply chain of audit quality (*International Accounting Auditing Standard Board*/IAASB US). Regulators can also pay more attention on the protection effect of sustainable reputation in relation to auditor rotation. Moreover, future researches should measure audit quality in other forms like auditor ethic aand sustainable auditor reputation based on auditor's external competitive advantage. Sample selection of respondent should extend more widely and in relations to other regulations for auditors in Indonesia.

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