

DETERMINANTS OF AUDIT QUALITY IN MANUFACTURING COMPANIES IN INDONESIA

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ABSTRACT: This study was conducted to determine the effect of audit fees, audit tenure, client size, auditor rotation, gender of the audit committee chairman, expertise of the audit committee chairman, education of the audit committee chairman and tenure of the audit committee chairman on the audit quality of manufacturing companies listed on the Indonesia Stock Exchange in 2019-2022. The total sample in this study was 120 companies with sampling techniques using purposive sampling. This study uses logistic regression analysis with Eviews 10. The results of this study indicate that audit fees, audit tenure, client size, auditor rotation, audit committee chair expertise and audit committee chair education have no significant effect on audit quality in manufacturing companies. While the gender of the audit committee chairman has a negative and significant effect on audit quality in manufacturing companies, the tenure of the audit committee chairman has a positive and significant effect on audit quality in manufacturing companies. The results of this study imply the importance of internal company factors, especially the chairman of the audit committee in supervising the company in an effort to improve audit quality.

Keywords: Audit Quality, Audit Fee, Auditor Tenure, Client Size, Auditor Rotation Audit Committee Chairman

INTRODUCTION

Financial statements are an important source of information for investors and creditors. Financial statements are final from the accounting process that helps in decision making for users. Companies are obliged to be honest and open in their financial statements. Financial statements describe financial conditions and provide information for interested parties (Nindita & Siregar, 2013) Therefore, a quality audit is needed to bridge this conflict of interest (Suwarno et al., 2020).

According to Dresdner & Fischer (2020) Good audit quality in accordance with *Generally Accepted Auditing Standards* (GAAS), thus producing reliable financial statements. According to the Public Accountant Professional Standard (SPAP, 2015) audits conducted by auditors are said to be of good quality if they meet the applicable auditing requirements and standards. Auditors are required to produce good quality work because they are responsible to interested parties.

The Financial Professional Development Center of the Ministry of Finance (PPPK Kemenkeu) found violations committed by auditors of the Public Accounting Firm (KAP) who conducted audits of PT Garuda Indonesia Tbk which affected the opinion of independent auditors' reports. In addition, KAP is considered to have not implemented an optimal quality control system related to consultations with external parties. On June 28, 2019, PT. Garuda Indonesia (Persero) Tbk was officially found guilty and sanctioned by several institutions such as the Ministry of Finance, the Financial Services Authority (OJK), and the Indonesia

Stock Exchange (IDX) for fraudulent revenue recognition in financial statements in 2018.

Low audit quality will increase the likelihood of incorrect opinions on financial statements. Therefore, action to improve audit quality is a very important step. Improving audit quality is very urgent, because with high audit quality will produce quality financial reporting (Elinda et al., 2019; Sukma & Bernawati, 2019).

In its development, there are factors that affect audit quality, including: *Audit Fee*. *Audit fee* is a service fee that must be paid for audit services conducted by auditors (Sukma & Bernawati, 2019). According to Hoopes et al., (2018) *Audit Fee* Higher ones can motivate auditors directly to improve the quality of work. Research conducted by Ndubuisi & Ezchukwu (2017), Rahman et al., (2017), Yefni & Sari (2021) found that *Audit Fee* Significant effect on audit quality. While Nursiam et al. (2018), Suwarno et al. (2020) found that *Audit Fee* has no effect on audit quality. The next factor is *Tenure Auditor* is the number of years an auditor has audited a company (Martani et al., 2021). Research conducted by Ndubuisi & Ezchukwu (2017), Sari et al. (2019) found that auditor tenure has a significant effect on audit quality, while research from Haruna et al. (2022), Martani et al. (2021) find *Tenure Auditor* has no effect on audit quality.

Another factor is that client size is the size of a company. *Client size* Or the size of the company is divided into three, namely small companies, medium companies and large companies. Control in audit quality in the form of health, financial performance such as giving and receiving opinions,

company survival (Cassell et al., 2020; Mwangi, 2018). Harris & Williams (2020), Priyanti et al. (2019) found that client size has a significant effect on audit quality, while Hasanah & Princess (2018) In his research found that client size has no effect. The Government of Indonesia implements that *Audit Rotation* It is an obligation to improve the quality of audits (Martani et al., 2021). Research from Martani et al. (2021) found that *Audit Rotation* Significant effect on audit quality. Research conducted Bratten et al. (2019), Nadia (2015) find *Audit Rotation* has no effect on audit quality.

The next factor is the characteristics of the chairman of the audit committee. Audit quality and audit committee are one unit, so when the company's audit committee is effective, good audit quality will be achieved. The effectiveness of the audit committee depends on the chairman's leadership in setting the tone, working style, and agenda of the committee (Azizkhani et al., 2023). The presence of female chairmen of audit committees tends to align with the characteristics of appropriate independence. In his research (Aldamen et al., 2018) Presenting a female chairman has a significant impact on audit quality. (Dewi & Eriandani, 2022; Hottegindre et al., 2017) Declaring the presence of women has no effect on the quality of the audit.

The expertise of the chairman of the company's audit committee who has professional accounting qualifications (CPA / CA) and a bachelor's master's educational background related to business, the chairman of the committee at the university improves the supervision of the quality of financial reporting reports and tends to

select qualified auditors so as to produce good audit quality (Azizkhani et al., 2023; Farber et al., 2018). Research from Azizkhani et al. (2023) Finding professional accounting expertise and business education background has a significant effect on audit quality. While Salawu et al. (2017) Finding accounting expertise has no effect on audit quality. Sukma & Bernawati (2019) Stating educational background has no effect on the quality of the audit.

The last characteristic is the tenure of the chairman of the audit committee. Longer tenures on the board and audit committee have more company-specific knowledge, expertise and greater monitoring experience (Free et al., 2021). Nipper (2021), Sultana et al. (2019) Finding that the tenure of the Chairman of the Audit Committee affects the quality of the audit. Research from Sharmbaha & Iselin (2012) The tenure of the Chairman of the Audit Committee has no effect on the quality of the audit.

Based on the research phenomenon and differences in research results related to factors that affect audit quality, namely *audit fees, tenure auditors, client size, auditor rotation*, the researcher tested with a sample of manufacturing companies. Researchers also use different audit quality proxies, namely going *concern* opinions. Researchers use the characteristic variables of the chairman of the audit committee in the audit process that are largely unexplored so as to encourage researchers to contribute and develop thoughts on the study.

LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

Jansen and Meckling define agency theory by assuming that humans have vested interests and that there must be conflict between resource providers and managers. The provider appoints a board to monitor management actions. This board will minimize agency-related issues by putting in place internal oversight mechanisms. It is hoped that supervision and monitoring can make better reporting which is realized by good sustainability and accountability reporting (Tumwebaze et al., 2022).

In this theory, there is an assumption that agents do not always do their best for the principal's interests. The relationship between agent and principal is not always the same, so it often causes conflicts between agents and principals. This is triggered by differences in interests and differences in information owned. The agent certainly has more information about the business being run than the principal (Nurmawati et al., 2020).

In auditing, independent auditors' reports are required for stakeholders, especially for public companies whose shareholders do not have the same vision, goals, and views as company management. Of course, this is closely related to agency theory, one of which is based on human nature which tends to prioritize its own interests rather than opportunistic (Ge & Zhang, 2017; Yefni & Sari, 2021).

Audit Quality

Quality audit is the shared probability that material misstatements are detected and reported by an auditor. Realization in the audit quality process can be tangible as detecting, adjusting, and reporting material

misstatements, and achieving audit quality (Xiao et al., 2020). Audit quality is the ability or expertise of auditors to detect, report and disclose the occurrence of errors, material omissions in the client's accounting system. Auditors are expected to be able to provide high quality exams. This is because an auditor performs many tasks for people interested in a company's financial accounting. The auditor not only finds the material, but also confirms and corrects the findings to improve the quality of the audit by correcting every material found to improve the quality of the audited financial statements (Astuti et al., 2022).

Audit Fee and Audit Quality

Audit fee It is also interpreted as the amount paid to the auditor for completing his work. The amount charged by the auditor for each service performed in expressing an opinion on the real and reasonable state of the client's business conditions (Olowookere et al., 2022). According to Rahman et al. (2017) *Audit Fee* i.e. the amount charged by the auditor for each work done to express an opinion about the state or position of the client company properly and fairly. *Audit fee* Having an influence on audit quality, high audit costs have an impact on audit work that is increasingly qualified and reliable.

Audit cost as an important factor of audit quality has been used in several studies, particularly in examining the relationship between audit quality and its size (Ndubuisi & Ezchukwu, 2017) and can be assumed to improve the auditor's performance in completing his work (Rochmatilah et al., 2021). Higher and competitive audit fees charged to clients provide higher audit quality to client

companies (Hoopes et al., 2018).

Audit fee The higher the auditor is motivated to increase his efforts at work. The auditor of the Public Accounting Firm will carry out the audit procedure in more depth. So that the possibility of fraud, errors contained in the financial statements of the client company will be detected. So it will have an impact on the results of better audit quality (Astuti et al., 2022).

H1: Audit fee affects audit quality.

Tenure and Audit Quality Auditor

According to Azizkhani et al. (2018) *Tenure Auditor* Summarized as the auditor's experience in conducting audit assignments in auditee companies. *Tenure auditor* Measured as the duration of the audit-client entity relationship. If the entity's audit experience was developed by the audit team, it may be relevant to evaluate the auditor's expertise in conducting audits so that audit quality improves (Ball et al., 2015)

The audit engagement period is related to audit quality, thus making auditors have good competence and continue to improve throughout the experience. A long relationship between an entity and its auditors increases the likelihood of issuing a good report (González-Díaz et al., 2015). Limitation of audit working period decreases audit quality, longer audit working period indicates improvement in audit quality (Fadhila, 2014)

H2: Tenure auditors affect audit quality

Client Size and Audit Quality

According to Lokamandala et al. (2023) *client size* is a measurement based on the size of the company and describes the activities and operations obtained by

the company. The size of the client company is a benchmark of assets owned by an entity and represents economies of scale and stability of the company (Saragih et al., 2021). Large companies are expected to improve the completion of the audit process faster (Serly & Delnecca, 2022).

Client size affect the quality of the audit. Large-sized companies have the complexity of operations and increased separation between management and shareholders, in dire need of public accountants who can reduce *agency cost*. In addition, the increasing number of agency conflicts causes the demand to differentiate the quality of auditors also increases. So large-sized companies will certainly prefer to use the services of large-sized public accounting firms to produce quality audit reports (Give g et al., 2018). The larger the client size, the higher the audit quality.

H3: Client size affects audit quality.

Auditor Rotation and Audit Quality

Minister of Finance Regulation No. 17/PMK.01/2008 on Public Accountant Services which limits audit engagement, the longer the company does not rotate audits, the lower its independence and objectivity from auditors. This will have an impact on the quality of audits conducted by independent auditors. The length of the relationship between auditors and clients causes no audit rotation so that it will tend to reduce audit quality (Priyanti et al., 2019).

Ardhani et al. (2019) Defines audit rotation as the turnover of auditors to audit a company. Rotation of auditors can be voluntary or mandatory. Voluntary auditor rotation occurs if the client company voluntarily replaces its own auditors and

mandatory auditor rotation occurs if required by regulations (Ardhani et al., 2019). Audit rotation to replace public accountants to provide services to clients in order to produce good audit quality and maintain independence (Salman & Setyaningrum, 2023). So, the longer the audit rotation with the client, the lower the audit quality.

H4: Auditor rotation affects audit quality.

Gender of Chairman of Audit Committee and Audit Quality

According to *Auditing and Assurance Standards Board* The Audit Committee is a component of Good Corporate Governance, the Audit Committee is responsible for the quality of the Company's financial reporting and supervision of the reporting process (Azizkhani et al., 2023). Women directors or chairmen are more likely to provide greater oversight, monitoring and independent thinking. The presence of higher female members is associated with better decision-making (Zalata et al., 2018). Female directors are more likely than men to serve on audit committees and other committees that have monitoring roles. Pimipinan or female directors do better monitoring of management (Lai et al., 2017).

The presence of a female Audit Committee Chairman will improve the overall monitoring and supervision of the Audit Committee (Aldamen et al., 2018). The presence of women as leaders or chairmen of audit committees in companies will improve audit committee monitoring. So this will result in a demand to the auditor for high audit quality results, in the end the audit quality will be high

(Ittonen et al., 2013).

H5: The head of the female audit committee is concerned about the quality of the audit.

Expertise of the Chairman of the Audit Committee and Audit Quality

A competent audit committee plays an important role in improving the company's performance by carrying out its duties and carrying out the audit function effectively and efficiently (Alodat et al., 2023). Audit committee chairman's expertise, finance and accounting expertise can be achieved through professional audit experience. The company may benefit from specialized accounting expertise in the audit committee (Cassell et al., 2020).

The presence of financial and accounting experts on the audit committee results in a better understanding of auditing, thus directing higher guidance from external auditors (Ghafran & O'Sullivan, 2017; Kim et al., 2017). The role of accounting and finance experts on the board can increase oversight of the audit committee (Farber et al., 2018) and request quality audit services from auditors (Kim et al., 2017).

H6: The chairman of the audit committee who has accounting expertise affects the quality of the audit.

Education of the Chairman of the Audit Committee and Audit Quality

According to Hodgman (2018) Colleges or universities can help develop skills and work culture despite reports of gaps with industry workers. Colleges are trying to equip them with better skills. Companies with university education qualifications tend to have good supervision and choose large public

accountant auditors so that the quality of audits will improve (Azizkhani et al., 2023)

The educational background possessed by the audit committee will improve the performance of the audit committee because it is supported by appropriate knowledge and capabilities. With its knowledge, the audit committee can play a role in maintaining the quality of supervision and the quality of company audits (Sukma & Bernawati, 2019).

H7: Education of the chairman of the audit committee affects the quality of the audit.

Tenure Chairman of Audit Committee and Audit Quality

The term of office of the chairman of the audit committee focuses more on supervision and control. The long tenure of the chairman of the audit committee has an impact on supervision so that financial reporting becomes timely. Long tenure also has an impact on the minimum of accounting irregularities. Good and appropriate reporting has an impact on the quality of audits produced by auditors (Nipper, 2021).

The long tenure of the chairman of the audit committee with a company will have an impact on having more knowledge about the company and the quality of the internal monitoring system will be improved so that it will lead to a better and quality audit process when the company is audited (Alsayani et al., 2023). So, the longer the term of office of the chairman of the audit committee, the quality of the audit increases.

H8: The tenure of the chairman of the audit committee affects the quality of the audit.

RESEARCH METHODS

Data and Samples

The data in this study is obtained from *the annual report* published annually by the company. The data source was obtained from the *website of* each manufacturing company listed on the Indonesia Stock Exchange for the 2019-2022 period. Sampling technique by purposive sampling method. The following is a table of the sample selection process based on criteria:

Table 1. Sample Selection Process

No	Criterion	Sum
1	Manufacturing companies listed on the <i>Indonesia Stock Exchange</i> for the period 2019-2022.	190
2	Companies that did not provide complete data during the observation period	(70)
Total sample		120
Number of years of observation		4
Total data to be observed		480

Source: Olah Data, 2023

Data Analysis Techniques

In this study the analysis used was logistic regression. The Eviews 10 program is the choice of researchers to manage data using the help of logistic regression analysis models. Descriptive statistical tests, regression model feasibility tests, determination coefficient tests, simultaneous tests and hypothesis tests were used in analyzing this research data. The models in this study are:

$$KA+e = \frac{KA}{1-KA} = a + \beta_1FA + \beta_2ATEN + \beta_3CS + \beta_4AROT + \beta_5GKA + \beta_6KKA + \beta_7PKA + \beta_8TKA$$

Information:

KA = Audit quality (1 = Opinion *Going Concern*, 0 = *Non Going Concern*)

FA = *Fee Audit*

ATEN = *Audit Tenure*

CS = *Client Size*

AROT = *Audit Rotation*

GKA = Gender of Chairman of Audit Committee

KKA = Expertise of the Chairman of the Audit Committee

PKA = Education Chairman of Audit Committee

TKA = Tenure of the Chairman of the Audit Committee.

e = Error

Operational Definition of Variables and Measurements

Dependent Variables

Audit Quality

Audit quality cannot be measured directly hence the literature uses a large number of proxies to measure audit quality. The existing literature has used Big-N auditors, discretionary accruals, audit costs, quality accruals, opinions *going concern*, or meeting or exceeding quarterly revenue targets as a proxy for audit quality. Going concern opinions are proxies of general and appropriate audit quality (Mohapatra et al., 2021). The tendency of auditors to issue going concern opinions is a manifestation of good audit quality. The auditor issues a going concern opinion as a measurement of audit quality (Francis, 2022; Guo et al., 2020; Mohapatra et al., 2021). Audit quality is measured by going concern opinion, 1 if getting going concern opinion, 0 if not.

Independent Variables

Fee Audit

Audit fee is compensation in the form

of money, goods or other forms received or given from clients or other parties in order to get engagement from clients or other parties (Astuti et al., 2022). *Audit fee* measured by Ln *Professional Fees* (Nursiam et al., 2018; Suwarno et al., 2020)

Auditor Tenure

Tenure auditors can be defined as the length of service of public accounting firm auditors to their client companies in providing audit services (Martani et al., 2021). Auditor tenure or audit service period is the engagement period of the auditor who provides audit services within an agreed period to the client (Sari et al., 2019; Suwarno et al., 2020). *Tenure auditor* measured by summing the length of engagement of KAP auditors with the same audite sequentially. In the first year the engagement starts with the number 1 and adds one for subsequent years (Martani et al., 2021; Payne & Williamson, 2021)

Client Size

The size of this company is one of the characteristics possessed by a company (Egbunike & Okerekeoti, 2018). Client size is categorized into three groups, namely large-scale, medium-scale, and small-scale companies. Client size measured by Ln *Total Assets* (Cassell et al., 2020; Egbunike & Okerekeoti, 2018)

Audit Rotation

Auditor rotation can be defined as the change of public accountants or public accounting firms to prioritize independence and avoid closeness with clients (Rochmatilah et al., 2021). Auditor rotation is measured by category 1 if there is an audit rotation, 0 if not (Andriani & Nursiam, 2017; Fitriyani et al., 2015).

Gender of Chairman of Audit Committee

Gender refers to a social identity that contains roles that must be performed by individuals because of their gender, where these roles are in accordance with social and cultural constructions (Herlano & Zulfani, 2019). The gender of the chairman of the audit committee is measured by 1 if female, 0 if not (Aldamen et al., 2018; Azizkhani et al., 2023)

Expertise of Chairman of Audit Committee

The financial and accounting expertise of audit committee members is an important attribute for their effectiveness in fulfilling their supervisory role to ensure audit quality (Salawu et al., 2017). Audit committee chairman's expertise is measured by 1 if you have CA/CPA qualifications, 0 if you don't have (Azizkhani et al., 2023; Ghafran & O'Sullivan, 2017).

Education Chairman of Audit Committee

The formal educational background that has been taken is a cognitive behavior that can affect the way of thinking and the ability to solve a problem and make decisions (Hodgman, 2018). Supervision of the financial reporting process and

reporting quality is more effective with the chairman of the audit committee who has relevant business background and experience. Audit committee education is measured by educational background in college or university i.e. 1 if have business qualifications or business-related bachelor's/master's degrees, 0 if others (Azizkhani et al., 2023)

Tenure Chairman of Audit Committee

The tenure of the chairman of the audit committee is defined as the length of service as chairman of the audit committee. The term of office of the chairman of the audit committee focuses more on supervision and control. The term of office of the chairman of the audit committee has an impact on decision making (Nipper, 2021). The tenure of the chairman of the audit committee is measured by the number of years during his tenure as chairman of the audit committee (Azizkhani et al., 2023).

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

	n	Mean	Media n	Maxim um	Minimu m
KA	480	0.3375 00	0.0000 00	1.00000 0	0.00000 0
FA	480	22.411 15	22.182 56	29.2204 6	17.4451 7
ATEN	480	1.7895 83	2.0000 00	5.00000 0	1.00000 0
CS	480	28.630 54	28.409 19	33.6551 9	23.4920 0
AROT	480	0.1020 83	0.0000 00	1.00000 0	0.00000 0
GKA	480	0.0541 67	0.0000 00	1.00000 0	0.00000 0

KKA	480	0.0791 67	0.0000 00	1.00000 0	0.00000 0
PKA	480	0.6187 50	1.0000 00	1.00000 0	0.00000 0
TKA	480	4.1625 00	3.0000 00	21.0000 0	1.00000 0

Source: Processed Data, 2023

The dependent variable of audit causality (KA) has a minimum of 0 and a maximum value of 1 with a mean value of 0.337500 (33.75%). So, it can be seen that as many as 33.75% of manufacturing companies listed on the *Indonesia Stock Exchange 2019-2022* get audit quality 1 going concern.

The independent variable *audit fee* (FA) has a minimum natural logarithm value of 17.44517 and a natural logarithm maximum value of 29.22046 with a mean value of 22.41115. So, it can be known that the average audit fee or audit fee paid by manufacturing companies listed on the *Indonesia Stock Exchange 2019-2022* is 22.4115.

The independent variable *auditor tenure* (ATEN) has a minimum value of 1 year of tenure and a maximum value of 5 years of tenure with a mean value of 1.789583. So, it can be known that the average auditor tenure or tenure of public accounting firm auditors in manufacturing companies listed on the *Indonesia Stock Exchange 2019-2022* is for 1 year and 7 months.

The independent *client size* (CS) variable has a minimum natural logarithm value of 23.49200, a natural logarithm maximum value of 33.65519, and a mean value of 28.63054. So, it can be known that the average client size or size of manufacturing companies listed on the

Indonesia Stock Exchange 2019-2022 is 28.63054.

The independent auditor *rotation* variable (AROT) is a dichotomous variable with a minimum value of 0 and a maximum value of 1 with a mean value of 0.102083. So, it can be seen that as many as 10.20% of manufacturing companies listed on the *Indonesia Stock Exchange 2019-2022* carry out *auditor rotation*.

The gender independent variable of the chairman of the audit committee (GKA) is a dichotomous variable with a minimum value of 0 and a maximum value of 1 with a mean value of 0.054167. So, it can be seen that as many as 5.41% of manufacturing companies listed on the *Indonesia Stock Exchange 2019-2022* are chaired by a female audit committee.

The independent variable of expertise of the chairman of the audit committee (KKA) is a dichotomous variable with a minimum value of 0 and a maximum value of 1 with a mean value of 0.079167. So, it can be seen that as many as 7.91% of manufacturing companies listed on the *Indonesia Stock Exchange 2019-2022* are chaired by the chairman of the audit committee who has CA / CPA accounting expertise.

The independent variable of education of the chairman of the audit committee (PKA) is a dichotomous variable with a minimum value of 0 and a maximum

value of 1 with a mean value of 0.618750. So, it can be seen that as many as 61.87% of manufacturing companies listed on *the Indonesia Stock Exchange 2019-2022* are chaired by the chairman of the audit committee who has a business education background in universities.

The independent variable tenure of the chairman of the audit committee (TKA) with a minimum value of 1 year of office

and a maximum value of 21 years of office with a mean value of 4.162500. So, it can be known that the average tenure of the chairman of the audit committee or the term of office of the chairman of the audit committee in manufacturing companies listed on the Indonesia Stock Exchange 2019-2022 is for 4 years 1 month.

Logistic Regression and Hypothesis Test

Table 3. Logistic Regression and Hypothesis Test

Variable	Coefficient	Std. Error	Z-Statistic	Prob.
FA	-0.074653	0.056023	-1.332542	0.1827
ATEN	0.067260	0.077799	0.864539	0.3873
CS	-0.007385	0.065059	-0.113507	0.9096
AROT	0.356526	0.204585	1.742684	0.0814
GKA	-0.613629	0.302623	-2.027699	0.0426
KKA	-0.287246	0.235520	-1.219624	0.2226
PKA	0.187809	0.129294	1.452573	0.1463
TKA	0.048449	0.019666	2.463594	0.0138
C	1.030236	1.152572	0.893858	0.3714

Source: Processed Data, 2023

The effect of *audit fees* on audit quality

The results of data analysis can be seen that *the audit fee* (FA) shows a regression coefficient value of -0.074653 with a probability significance of 0.1827 more than or > 0.05%. So, it can be concluded that H1 is rejected, or the audit fee (FA) does not have a significant effect on the quality of the audit. Based on research data conducted in 2019-2022, it shows that many companies have audit quality with category 0. The lowest audit fee value is owned by PT. Pratama Abadi Nus Industri Tbk. in 2019 amounted to 17.44517 with audit quality category 0. The largest audit fee value is owned by PT. Astra International Tbk in 2019 amounted to 29.22046 with audit quality category 0. So

that the high and low audit fee does not affect the quality of the audit.

A high audit fee is not an indicator that the quality of the audit is good. According to IAPI regulation No. 2 of 2016, there is a minimum limit for hourly service fees based on tiered classifications as a basis for determining audit fees. (Fahrurroji et al., 2022). The professionalism and independence of auditors at public accounting firms has not changed along with the amount of audit fees because the determination has gone through various considerations based on the regulation. So, the rules on the amount of audit service fees received by auditors will not affect the quality of the audit report issued. Audit quality in manufacturing companies is more influenced by the internal role of the

company itself, namely the influence of the length of office of the chairman of the audit committee.

Providing incentives to public accounting firms in the form of higher audit fees will not result in an improvement in the quality of audits produced. Audit costs also do not affect audit efficiency (Olowookere et al., 2022). Companies that have audit fees or large audit fees cannot be used as a determinant of audit quality in the company. Audit fees provided by companies cannot predict good or bad audit quality. Good audit quality is determined by the auditor who does his job (Soewarno, 2020)

The effect of *tenure auditors* on audit quality

The results of data analysis can be seen that *the tenure auditor* (AT) shows a regression coefficient value of 0.067260 with a probability significance of 0.3873 more than or > 0.05%. So, it can be concluded that H2 is rejected, or the auditor tenure (AT) has no significant effect on the quality of the audit. Based on research data conducted in 2019-2022, it shows that there is no difference in the audit quality of companies that have long partner auditor tenures with short ones.

The Financial Services Authority (OJK) in POJK No.13 / POJK.03 / 2017 which contains that parties who carry out financial service activities are required or must limit the use of audit services for financial information years with public accountants who are not different, the longest in a row is three financial years in reporting Public accounting firm auditors work in accordance with the rules and regulations This shows that the term of office of partner

auditors on Public Accounting Firm does not affect its independence and professionalism in conducting audits on client companies. So that the length or duration of office of partners of public accounting firms does not affect the quality of the audits produced.

Tenure audits with long engagements do not necessarily affect the independence of public accounting firm auditors which can reduce audit quality. Audit tenure or short tenure also does not guarantee the reliability of audit quality. This can be due to the possibility that the auditor does not have an adequate understanding of the auditee's client's business activities (Astuti et al., 2022). Most of the mastery carried out between audit tenure and audit quality is not linear but quadratic or periodal, so it is not a reference in determining the quality of audits carried out (Martani et al., 2021).

The effect of *client size* on audit quality

The results of data analysis can be seen that *the client size* (CS) shows a regression coefficient value of -0.007385 with a probability significance of 0.9096 more than or > 0.05%. So, it can be concluded that H3 is rejected, or client size (AT) does not have a significant effect on audit quality.

Based on research data conducted in 2019-2022, it shows that the size of the client company measured by the total value of assets has no influence on audit quality. Companies that have large total assets do not necessarily have good control; companies that have small total assets do not necessarily have bad control. This indicates that *client size* is not a factor that affects audit quality. The determinant of audit quality is more influenced by the

independence and professionalism of public accounting firm auditors and the long tenure of the audit committee. So the size of the *client size* does not affect the quality of the audit.

The size of large and small companies does not affect the final results of financial statement audits, namely the opinion of going concern as a determinant of audit quality (Pham, 2022). The determinant of good audit quality is influenced by the professional attitude of an auditor of a public accounting firm in reporting business continuity opinions and not influenced by the size of the company (Gallizo & Saladríguez, 2016). A good public accountant auditor maintains his attitude of integrity, integrity and professionalism in audit quality. So that it will issue an opinion according to the audit results in accordance with the applicable results and standards (Luvena et al., 2022).

The effect of *auditor rotation* on audit quality

Based on the results of data analysis, it can be seen that the *auditor rotation* (AROT) shows a regression coefficient value of 0.356526 with a probability significance of 0.0814 more than or > 0.05%. So it can be concluded that H4 is rejected or *auditor rotation* (AROT) has no significant effect on audit quality. Based on research data conducted in 2019-2022, it shows that companies that rotate audits are only 10.20% of the entire companies analyzed. This proves that audit rotation is not a guarantee of producing a quality audit.

Government Regulation Number 20 of 2015 related to the practice of public accountants which states that audit services on the organization's financial statements

carried out by public accounting firms are limited to a maximum of 5 consecutive financial years. Public accounting firms perform work based on applicable regulations and codes of ethics. So that it can maintain its independence and professionalism in work. Of course, it will produce an audit report that is objective and in accordance with standards. So audit rotation has no impact on the quality of audits produced by public accounting firms, because they are bound by applicable regulations.

Audit rotation cannot guarantee good audit quality. This is due to the lack of awareness of market participants regarding the replacement of public accounting firms and auditors. An auditor must have professionalism and independence in doing his job. So that whether or not there is a rotation of audits carried out, an auditor is still obliged to uphold an attitude of independence that can affect the quality of the audit he produces (Salman & Setyaningrum, 2023).

Standards and codes of ethics as auditors encourage auditors to be independent and professional, even though auditors and auditees have audit assignments within a certain period of time, so that auditors can remain objective in their audit results. So the length of emotional relationship between the auditee and the auditor of a public accounting firm will not reduce the independence and professionalism of the auditor in conducting an audit (Bahtiar et al., 2021)

The effect of the gender of the chairman of the audit committee on audit quality

The results of the data analysis can be

seen that the gender of the chairman of the audit committee (GKA) shows a coefficient value of -0.613629 with a probability significance of 0.0426 less than or < 0.05%. So it can be concluded that H5 accepted or the gender of the chairman of the audit committee (GKA) has a negative and significant effect on audit quality. Based on research data conducted in 2019-2022, it shows that there are 9 companies or as many as 5.41% that have female audit committee chairmen. The chairman of the company's audit committee is elected or appointed from within the company, namely from the independent board of commissioners. Women audit committee chairmen have better accuracy as well as better decision-making and risk evaluation. This attitude of women can reduce risks related to fraud and manipulation of financial statements, leading to a reduction in the volume of external auditor services from public accounting offices which has an impact on decreasing audit quality.

Women committee chairmen spend more time and energy in doing their jobs. Female audit committee chairmen tend to rely on male committee members to gather information and do their work, resulting in differences in opinion. These differences of opinion can reduce communication as well as increase discord and conflict among group members. Thus reducing the effectiveness of the committee group in making decisions for supervision which results in a decrease in audit quality (Ittonen & Vähämaa, 2014). This also happens because of the lack of female leaders who have good skills and experience. Women tend to avoid competition for promotions, risk and stress

as well as work-life imbalances associated with the position held (Low et al., 2015).

The effect of the expertise of the chairman of the audit committee on audit quality

The results of the data analysis can be seen that the chairman of the audit committee (KKA) showed a regression coefficient value of -0.287246 with a probability significance of 0.2226 more than or > 0.05%. So it can be concluded that H6 is rejected or the expertise of the chairman of the audit committee (KKA) does not have a significant effect on the quality of the audit. Based on research data conducted in 2019-2022, it shows that there are only 11 companies that have audit committee chairmen with expertise (CA/CPA).

The chairman of the audit committee at a manufacturing company in Indonesia is appointed or appointed from the company's internal, which is appointed from the company's own independent commissioner so that not many have expertise related to accounting. So that the condition of the chairman of the audit committee does not affect the quality of the company's audit. This must be followed by appropriate experience, of course, it will have more influence on the quality of the audit. Good audit quality is more influenced by the long tenure of an audit committee chairman.

The absence of influence between accounting expertise on the chairman of the audit committee can be caused because the company is limited to meeting the regulations set by the Financial Services Authority to have an audit committee that has accounting expertise (Dwiharyadi,

2017; Hartoko & Astuti, 2021). The accounting expertise of the audit committee does not have a significant relationship with the quality of the audit produced. The chairman and members of the audit committee who have this expertise are burdened with many responsibilities that reduce efficiency (Asiriwuwa et al., 2018).

The effect of audit committee chairman's education on audit quality

The results of data analysis can be seen that the education of the chairman of the audit committee (PKA) shows a regression coefficient value of 0.187809 with a probability significance of 0.1463 more than or $> 0.05\%$. So it can be concluded that H7 is rejected or the education of the chairman of the audit committee (PKA) does not have a significant effect on the quality of the audit. Based on research data conducted in 2019-2022, it shows that 83 companies that have audit committee chairmen with business education backgrounds in universities, but have no influence on improving audit quality.

Financial Services Authority Regulation Number 57 / POJK / 2017 related to the implementation of corporate governance explains that the board of commissioners must have the knowledge, experience or things needed to work. The chairman of the audit committee in a manufacturing company is appointed or elected from within the company itself, namely from the independent board of commissioners. The business education background possessed by the chairman of the audit committee does not guarantee to have good supervision and control. The

chairman of the audit committee who has a business background has no impact on the quality of the audit. The fulfillment of the chairman of the audit committee is only used to comply with the current regulations to be in accordance with the provisions.

Chairmen and members of the audit committee who have business-related educational backgrounds in universities and committees who have financial accounting expertise only to comply with applicable regulations. So that it does not have an impact on supervision and control that can ensure good audit quality (Damayanti & Ratnadi, 2022). Educational background does not guarantee that the chairman of the audit committee has the appropriate ability for something. Because if education is not supported by appropriate experience then education will not have a major impact on the quality of audits. So that the educational background does not necessarily show the ability of the chairman of the audit committee to work. The chairman and members of the audit committee with appropriate work experience certainly guarantee and have an impact on audit quality (Sukma & Bernawati, 2019).

The effect of the tenure of the chairman of the audit committee on audit quality

The results of the data analysis can be seen that the gender of the chairman of the audit committee (GKA) shows a coefficient value of 0.048449 with a probability significance of 0.0138 less than or $< 0.05\%$. So it can be concluded that H4 received or tenure of the chairman of the audit committee (TKA) has a positive and significant effect on audit quality. Based on research data conducted in 2019-2022, it

shows that manufacturing companies have an average tenure of the chairman of the audit committee of 4 years 1 month. Where every year there is an increase in the term of office of the chairman of the audit committee.

The longer the term of office of the chairman of the audit committee, the more deeply understand the company's operational and financial activities, especially related to protecting the interests of the holder. The long tenure of the chairman of the audit committee with a company will have an impact on having more knowledge about the company and the quality of the internal monitoring system will be improved so that it will lead to a better and quality audit process when the company is audited. The experience possessed by this chairman is very helpful for the supervision and mechanism of the company as well as financial reporting (Alsayani et al., 2023).

The audit committee chairman's experience gained from his tenure as chairman of the committee shows that experience makes control assessments more aligned with auditors' judgments, allowing them to provide better oversight than those who are lacking or inexperienced. So that tenure affects the quality of the audit produced (Azizkhani et al., 2023). The experience gained by the chairman of the audit committee in the long term can provide expertise, knowledge relevant to the job and have greater commitment can be used by audit committee members to improve audit quality (Sultana et al., 2019).

CONCLUSIONS

The results of this study show that the independent variables of *audit fee*, *auditor tenure*, *client size*, *auditor rotation*, expertise of the chairman of the audit committee, education of the chairman of the audit committee do not have a significant effect on audit quality in manufacturing companies in Indonesia listed on the Indonesia *Stock Exchange* period 2019-2022. While the gender independent variable of the chairman of the audit committee has a negative and significant effect on audit quality. The independent variable tenure of the chairman of the audit committee has a positive and significant effect on the audit quality of manufacturing companies in Indonesia listed on the Indonesia *Stock Exchange* for the 2019-2022 period.

There are limitations that have been done in this study, first the research sample is limited to only manufacturing companies, the independent variable only affects 3.45% of audit quality. Second, many manufacturing companies do not display complete data, especially annual reports in the study period, and do not display data related to *audit fee disclosure*.

The findings of this study suggest to related parties, first to policy makers, it is expected that policy-making institutions such as the *Indonesia Stock Exchange* to consider regulations related to transparent disclosure of *audit fees* and provide minimum requirements to become the chairman of the audit committee who will take office. Secondly, the next (theoretical) researcher is expected to replace the independent variable other than the one used in this study. This is because only the

independent variables of the gender of the chairman of the audit committee and the tenure of the chairman of the audit committee have a significant influence on the quality of the audit. Add independent variables, especially related to the characteristics of the chairman of the audit committee such as age, ethnicity, work experience, concurrent positions and others. Increase the number of samples and the observation period. Third, to investors, you want to research more thoroughly and carefully in choosing a company to invest in. We recommend investing in companies that have a long term of office of the audit committee.

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