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Determinants of Audit Quality in State-Owned Enterprises Listed on the Indonesia Stock Exchange with Audit Fee as Moderating Variable

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ABSTRACT

This research aims to empirically examine the determinants that affect audit quality. This study also examines the role of audit fees in moderating the effect of audit tenure, audit firm size, audit report lag, and auditor specialization on audit quality. The population in this research is State-Owned Enterprises (SOE) listed on the Indonesia Stock Exchange (IDX) in the period 2017 to 2020. The sample was taken using a non-probability technique with a purposive sampling method and obtained from as many as 20 companies with a total of 80 units of analysis. This research applies panel data regression analysis and Moderated Regression Analysis (MRA). The data is processed using Eviews software. The best model in this research is the Common Effect Model (CEM). The results of the research found to indicate that audit tenure has a significant negative effect on audit quality. Audit firm size and auditor specialization have a significant positive effect on audit quality. Meanwhile, audit report lag has no significant effect on audit quality. In addition, audit fees can be moderated by strengthening the effect of audit report lag and weakening the effect of audit tenure and auditor specialization on audit quality. However, the audit fee is not able to moderate the effect of audit firm size on audit quality. This research presents the moderating variable of audit fees to be a solution to overcome the inconsistency of the influence of the independent variables on audit quality.

INTRODUCTION

Audit quality is an important issue today because auditors have a big role in improving the reliability of the company's financial reporting. The financial statements presented by management are required to

have high transparency and integrity because they can have a significant effect on financial decision-making Salehi et al., 2019). Based Statement of Financial Accounting Concepts (SFAC) No. 2 requires that the information contained in the financial statements must be presented honestly according to actual conditions, reasonable, and does not contain bias (FASB, 1980). The auditor is a party who is trusted to be able to provide guarantees for the uncertainty that may occur through the quality of the audits produced (Andriani et al., 2020). The auditor will provide validation of the fairness of the company's financial reporting through its audit report. Many parties argue that auditors are the most responsible party in assessing the reliability of the company's financial reporting (Elewendra & Yunita, 2021; Fauziyyah, 2020; Judge & Sudarno, 2019; Gemsari & Astuti, 2019; Setyawati & Apandi, 2019). The size of the role of the auditor in providing guarantees for the fairness of the company's financial statements can determine the factors that affect the quality of the audit (Salehi et al., 2019).

Given the urgency of the role of auditors, nowadays we still often encounter cases of fraud in financial statements caused by poor audit quality. One of the fraud cases involved the Arthur Andersen Public Accounting Firm (AA) in the Enron case, which is the world's largest accounting scandal due to failing to detect misstatements that occurred. The next case dragged the name of a Big Four Public Accounting Firm Ernst & Young (EY) which provided an improper audit opinion on Toshiba Corp's financial statements due to the inability to disclose material misstatements. Another case of audit failure occurred at British Telcome involving the Big Four Public Accounting Firm Price Waterhouse Coopers (PWC) because it was unable to detect profit management that had been going on for several years, instead, this case was successfully revealed by the whistleblower.

Meanwhile, fraud scandals in Indonesia are mostly dominated by State-Owned Enterprises (SOEs). BUMN is the driving force of the national economy but is ranked as the second-highest fraud case based on the results of a national fraud survey by ACFE (Association of Certified Fraud Examiner) in 2019. The proportion of losses received the most by government agencies was 48.5%, followed by state-owned companies at 31.8%, then private companies at 15.1%, non-profit organizations at 2.9%, and others at 1.7% (ACFE Indonesia, 2020). Some examples of fraud cases that drag the name of state-owned companies in Indonesia include PT Garuda Indonesia (Persero) Tbk, PT Asuransi Jiwasraya (Persero), PT Asabri (Persero), PT PLN (Persero), PT Pertamina (Persero), PT Pelabuhan Indonesia (Persero), PT Angkasa Pura II, PT Krakatau Steel (Persero) Tbk, PT Kimia Farma (Persero) Tbk and others. The involvement of auditors in these cases is the inability of auditors to detect the existence of practices of manipulating financial statements that contain material misstatements due to profit management carried out by management.

1. LITERATURE REVIEW

Audit quality is defined as the ability of an auditor to uncover fraud in the financial statements presented by management. Audit quality is a fairly complex subject, the breadth of factors that affect the quality of the audit. IFAC (International Federation of Accountants) developed a framework for audit quality in IAASB (International Auditing and Assurance Standards Board). The work describes the key elements that make up the quality of the audit including inputs, processes, and outputs as the main elements. Meanwhile, its supporting elements include interaction and contextual factors. In this study, the variables studied were selected based on the relevance of key elements in the framework for audit quality (IAASB, 2014).

In the input element, the auditor must show appropriate values, ethics, and attitudes, and the auditor is required to have sufficient expertise and experience in carrying out audit activities. In this study, the input elements were represented by auditor specialization variables. Specialization auditors are auditors who have high experience and competence in conducting audit procedures in a particular industry. Specialist auditors are believed to be more effective in detecting client business risks and risks of misrepresentation of financial statements because auditors have clear industry benchmarks (Ishak et al., 2015). In addition, according to Yuan et al. (2016) specialist auditors can provide better audit quality when compared to non-specialist auditors because specialist auditors have adequate experience because they have

audited many clients in industry. Specialist auditors also have a deep understanding of business characteristics, accounting rules, as well as proper audit procedures of an industry so that the selection of auditors increases the effectiveness and efficiency of the business (K. D. Sari, 2018).

The second element is the process by which auditors in carrying out their duties must implement strict audit procedures and comply with applicable audit regulations and standards. In this study, the process elements were represented with firm-size audit variables. Firm size audit is a large size of a Public Accounting Firm that cooperates with entities to provide its audit services which are viewed based on their affiliation with the Big Four or Non-Big Four. Big Four accounting firm has better audit quality when compared to Non-Big Four (Dong Yu, 2009). In line with this opinion, Nurintiati & Purwanto (2017) stated that the size of the firm's audit is that the level of independence of the public accountant is considered to be even greater. The consistency of this according to Muliawan & Sujana (2017) high quality of audits produced by Big Four accounting firms is because auditors apply quality control standards and carry out strict audit procedures. The Big Four accounting firm also has greater incentives so that it holds greater responsibility for the incentives received to maintain their reputation (Salehi et al., 2019). Therefore, companies that cooperate with Big Four accounting firms are believed to have high credibility for the quality of their financial reporting (Kharuddin et al., 2021).

The third element is the output, where the output of the audit process is an audit report, in this element the auditor must present the audit report in a complete, clear, and timely manner so that it can be useful for users. In this study, the output element was represented by the audit report lag variable. Audit report lag is a delay in audit reporting, the length of time for completing an audit conducted by an auditor is calculated from the end date of the accounting period to the date the audited financial statements are issued. Delays in audit reporting are an important issue for investors because long delays will reduce the usefulness of financial statements (Lai, 2019). Financial information must meet the qualitative characteristics of accounting information, namely relevance, representation, comparability, verifiable, timely and, understandability. Public companies are required to submit annual reports no later than the end of the fourth month after the end of the accounting financial year, which is regulated in the Financial Services Authority (OJK) Regulation number 29 / POJK.04 / 2016 concerning Annual Reports of Issuers or Public Companies. Alkhatib & Marji (2012) argues that delays in the disclosure and publication of audited financial statements can negatively impact stock market efficiency. This opinion is reinforced by research by h Rusmby & Evans (2017) were too long a time difference can have an impact on reducing the usefulness and relevance of information. This results in the information contained in it losing the ability to influence users in making decisions to reduce the quality of the audit (Abdillah et al., 2019).

The next element is the interaction that is established between auditors, management, regulators, Those Charged with Governance (TCWG), and users. Although the main responsibility for audit quality lies with the auditor, it requires support from each stakeholder to play their respective roles to create high audit quality. In this study, the interaction element was represented with the tenure audit variable. A tenure audit is the period of audit engagement between the company and the Public Accounting Firm which takes place consecutively. The length of the tenure audit period can usually affect the level of independence of the auditor (Al-thuneibat et al., 2011). The good relationship established between auditors and stakeholders should be able to accommodate better audit quality. However, audit engagements that have been established for too long are considered bad because they cause emotional connections that can reduce the quality of the audit (Martani et al., 2021). The threat of familiarity arising from excess familiarity can reduce the objectivity of auditors in carrying out audit procedures (Andriani et al., 2020). This is because it is suspected that auditors have an economic dependence on clients so that they can reduce their independence, as a result, the quality of audits will decrease.

The last element in this framework is contextual factors such as laws and regulations, corporate governance, environmental conditions, corporate human resources, and other factors that can affect the quality of the audit should also be of concern to the auditor. In this study, the elements of contextual factors were represented by the audit fee variable. The audit fee is the amount of remuneration given by the company for audit services that will be carried out by the auditor. There are no rules specifically used to determine the amount of the audit fee (Ananda & Triyanto, 2019). The flexibility of determining audit fees can be a problem because the assumptions circulating in the community state that the auditor works according to the audit fee he receives. Even the IAPI regulation No. 2 of 2016 concerning Determination

of Financial Statement Audit Services Rewards, states that the audit fee below the standard has an impact on the non-compliance of auditors in the code of professional ethics and audit standards, thus potentially causing a decrease in audit quality. Novrilia et al. (2019) state determination of audit fees does not only refer to the type of services provided but also considers the level of competence and experience of the auditor, the needs of the client, and the period required to complete the audit report.

The design of the hypothesis in this research is based on the theory of institutional logic introduced by Thornton and Ocasio in 1999 emphasizing the workings of the social world in achieving goals. The theory of institutional logic assumes that an institution will provide social actors with a contingent set of social norms by which behavior is not driven by the logic of consequences, but by the logic of conformity (Thornton & Ocasio, 2008). Each organization will constantly try to convince the public that they have carried out activities within the boundaries and social norms that exist in society. Institutional logic consists of several values that together contribute to forming a whole set of principles that explain how social actors act to achieve the goals set. The following hypotheses proposed in this study include:

- H₁: Audit tenure has a significant negative effect on the quality of the audit.
- H₂: Audit firm size has a significant positive effect on audit quality.
- H₃: Audit report lag has a significant negative effect on audit quality.
- H₄: Auditor specialization has a significant positive effect on the quality of the audit.
- H₅: Audit fees moderates by weakening the effect of audit tenure on audit quality.
- H₆: Audit fees moderate by strengthening the influence of audit firm size on audit quality.
- H₇: Audit fees moderate by weakening the effect of audit report lag on audit quality.
- H₈: Audit fees moderate by strengthening the influence of auditor specialization on audit quality.

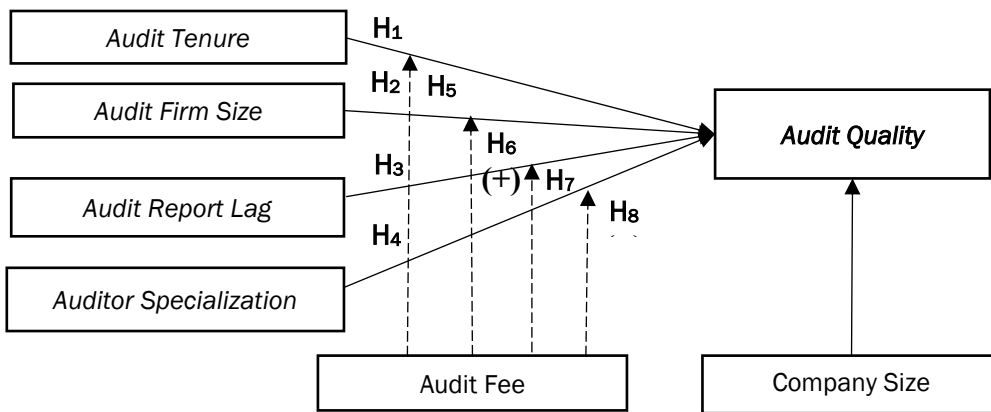


Figure 1. Research Model

Source: Processed secondary data, 2022

2. METHODOLOGY

This research uses a quantitative deductive approach with a hypothesis testing study research design. The research data used is secondary panel data sourced from an annual report on State-Owned Enterprises (SOE) companies that have been listed on the Indonesia Stock Exchange (IDX) from 2017 to 2020, published on the IDX's official website, namely www.idx.co.id. Sampling in this study was carried out using non-probability techniques with the purposive sampling method. Table 1 shows the sampling criteria.

Table 1. Population and Research Samples

<i>Criterion</i>	<i>N</i>
Number of state-owned companies registered with IDX (2017-2020)	20
Number of companies that do not publish annual reports	(0)
Number of companies with incomplete data	(0)
The final sample of 4 years (balanced data)	80

Source: Processed secondary data, 2022

The quality of audit as a dependent variable in this study was proxied with discretionary accrual (DAC). This study examines audit tenure (TENURE), audit firm size (AFS), audit report lag (ARL), and auditor specialization (SPEC) as independent variables. Audit fee (FEE) as a moderating variable, as well as using the company size (CS) control variable. Table 2 shows the measurements of each of the research variables.

Table 2. Variable Measurement

<i>No.</i>	<i>Variable</i>	<i>Measurement Indicators</i>
1	Audit Quality (DAC)	<p>Step 1.</p> $TAC = \text{Net Income} - \text{Cash Flow from Operations}$ <p>Step 2.</p> $\frac{TAC_{i,t}}{TA_{i,t-1}} = \hat{b}_0 \left[\frac{1}{TA_{i,t-1}} \right] + \hat{b}_1 \left[\frac{\Delta Rev_{i,t}}{TA_{i,t-1}} \right] + \hat{b}_2 \left[\frac{PPE_{i,t}}{TA_{i,t-1}} \right] + \Sigma$ <p>Step 3.</p> $NDA_{i,t} = \hat{b}_0 \left[\frac{1}{TA_{i,t-1}} \right] + \hat{b}_1 \left[\frac{\Delta Rev_{i,t} - \Delta TR_{i,t}}{TA_{i,t-1}} \right] + \hat{b}_2 \left[\frac{PPE_{i,t}}{TA_{i,t-1}} \right]$ <p>Step 4.</p> $DAC = \frac{TAC_{i,t}}{TA_{i,t-1}} - NDA_{i,t}$
2	Audit Tenure (TENURE)	Tenure = Σ years the company is audited by a consecutive public accounting firm.
3	Audit Firm Size (AFS)	Big Four = 1 Non-big Four = 0
4	Audit Report Lag (ARL)	ARL = date of audit report – closing date of accounting book
5	Auditor Specialization (SPEC)	Market Share = (Σ KAP clients in industry / Σ all issuers in the industry) Market share $\geq 15\%$ = 1 Market Share $< 15\%$ = 0
6	Audit Fee (FEE)	Audit Fee = Ln (Audit fee)
7	Company Size (CS)	Company Size = Ln (Total Assets)

Source: Processed secondary data, 2022

Data processing using descriptive analysis methods and inferential statistical analysis through panel data regression analysis and moderated regression analysis (MRA) tests with the help of Eviews statistical software. The equation model regression panel data formed in this study is as follows:

$$DAC = \alpha + \beta_1 TENURE_{it} + \beta_2 AFS_{it} + \beta_3 ARL_{it} + \beta_4 SPEC_{it} + \beta_6 TENURE_{it} * FEE_{it} + \beta_7 AFS_{it} * FEE_{it} + \beta_8 ARL_{it} * FEE_{it} + \beta_9 SPEC_{it} * FEE_{it} + \beta_{10} CS_{it} * FEE_{it} + \epsilon_{it}$$

Description:

- DAC = Audit quality
- α = Constants
- β = Coefficient
- TENURE = Audit tenure
- AFS = Audit firm size
- ARL = Audit report lag
- SPEC = Auditor specialization
- FEE = Audit fee
- CS = Company size
- ϵ = Error term
- i = Cross-section data (company)
- t = Time-series data (year)

3. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistical analysis in this study uses minimum, maximum, mean, median, and standard deviation values to describe each variable to be tested. The results of the descriptive analysis of this study are presented in Table 3 as follows:

Table 3. Descriptive Statistical Analysis Results

	<i>Dac</i>	<i>TENURE</i>	<i>AFS</i>	<i>ARL</i>	<i>SPEC</i>	<i>FEE</i>	<i>Cs</i>
Mean	0.542187	0.411060	0.675000	1.775927	0.775000	1.337414	31.47161
Median	0.412410	0.477120	1.000000	1.822805	1.000000	1.337575	31.68558
Maximum	1.940450	0.903090	1.000000	2.292260	1.000000	1.395740	34.95208
Minimum	0.015620	0.000000	0.000000	1.176090	0.000000	1.290900	24.55051
Std. Dev.	0.475787	0.304113	0.471330	0.235058	0.420217	0.023847	2.309706
Observations	80	80	80	80	80	80	80

Source: Processed secondary data, 2022

Panel Data Regression Analysis

Model estimation is a mandatory stage in panel data regression, this stage aims to determine the most appropriate regression model among the three available models. The three regression model estimates include the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The estimation results of the regression model using the arithmetic log transformation data are shown in table 4.

Table 4. Panel Data Regression Analysis Results

Panel A. $DAC = -2.814456 + 0.345766 \text{ TENURE} - 0.417848 \text{ AFS} + 0.099437 \text{ ARL} - 0.501909 \text{ SPEC} + 3.862703 \text{ FEE} - 0.055190 \text{ CS} + \epsilon_{it}$

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	-2.814456	3.490324	-0.806360	0.4227
TENURE	0.345766	0.184966	1.869355	0.0656*
AFS	-0.417848	0.140811	-2.967443	0.0041**
ARL	0.099437	0.222225	0.447459	0.6559
SPEC	-0.501909	0.120458	-4.166669	0.0001
FEE	3.862703	2.923538	1.321243	0.1905
CS	-0.055190	0.028070	-1.966134	0.0531*

AdjR² = 0.318561, F = 7.155196; p value = 1%***, 5%** , 10%*, N = 80

Panel B. $DAC = 2.936627 + 0.020123 \text{ TENURE} + 0.191357 \text{ AFS} + 0.041654 \text{ ARL} - 0.267247 \text{ SPEC} - 2.896143 \text{ FEE} + 0.046855 \text{ CS} + \epsilon_{it}$

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	2.936627	7.653172	0.383714	0.7027
TENURE	0.020123	0.150970	0.133293	0.8945
AFS	0.191357	0.119346	1.603385	0.1147
ARL	0.041654	0.212844	0.195704	0.8456
SPEC	-0.267247	0.103485	-2.582464	0.0126**
FEE	-2.896143	5.177878	-0.559330	0.5782
CS	0.046855	0.147089	0.318550	0.7513

AdjR² = 0.826420, F = 16.04490; p value = 1%***, 5%** , 10%*, N = 80

Panel C. $DAC = 0.094844 - 0.039067 \text{ TENURE} + 0.221580 \text{ AFS} + 0.098642 \text{ ARL} - 0.321466 \text{ SPEC} + 1.576605 \text{ FEE} - 0.054677 \text{ CS} + \epsilon_{it}$

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.094844	4.468234	0.021226	0.9831
TENURE	-0.039067	0.139883	-0.279281	0.7808
AFS	0.221580	0.108792	2.036724	0.0453**
ARL	0.098642	0.182656	0.540040	0.5908
SPEC	-0.321466	0.096260	-3.339549	0.0013*
FEE	1.576605	3.638206	0.433347	0.6660
CS	-0.054677	0.042606	-1.283334	0.2034

AdjR² = 0.120258, F = 2.799836; p value = 1%***, 5%** , 10%*, N = 80

Panel D.

Breush Pagan	-0.1107
Both	-0.0506

Note: All regression assumptions have been met; therefore, there are no problems with normality, multicollinearity, and heteroskedasticity. Panel A presents the results of regression analysis with the Common Effect Model (CEM). Panel B presents the results of the Fixed Effect Model (FEM) regression analysis. Panel C presents the results of the Random Effect Model (REM) regression analysis. Panel D presents the results of the Lagrange Multiplier Test, and the Common Effect Model was selected as the best model.

The classical assumption tests carried out in this study include normality tests, multicollinearity tests, and heteroskedasticity tests. Although the Common Effect Model (CEM) is not required for normality tests, in this study, testing is still carried out. Figure 1 presents the output of the normality test results which showed that a probability value of 0.054948 > a Sig. of 0.05 was obtained. Based on such outputs it can be concluded that the data is normally distributed.

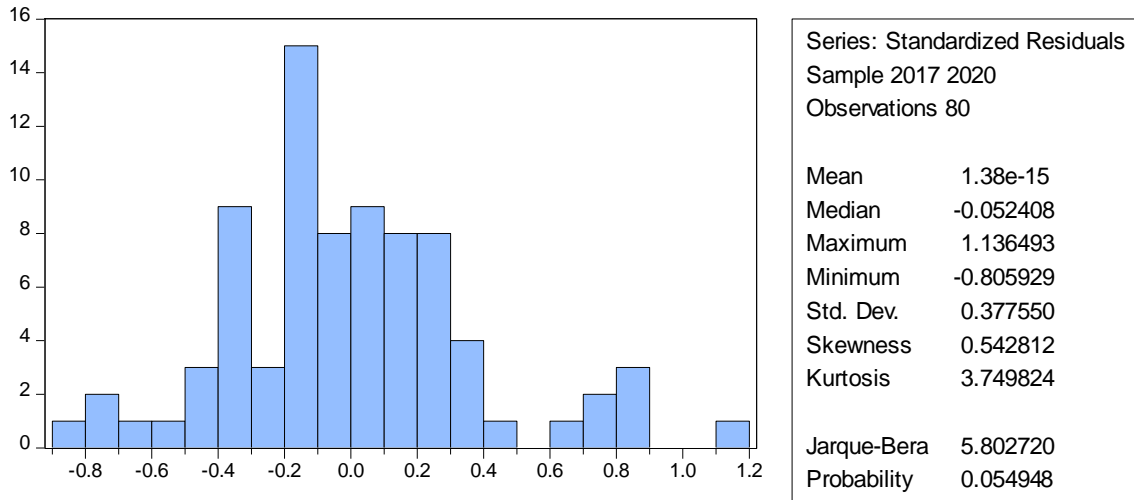


Figure 2. Normality Histogram Chart

Source: Processed secondary data, 2022

The next classic assumption test is the multicollinearity test, the test aims to ensure that there is no correlation between independent variables. The multicollinearity test in this study is shown in Table 4. It can be seen that the correlation between independent variables under the predetermined value is 0.85. So, it can be concluded that the regression of panel data in this study did not have a multicollinearity problem.

Table 5. Multicollinearity Test

	TENURE	Afs	ARL	SPEC	FEE	Cs
TENURE	1.000000	0.520478	-0.220955	0.305315	0.435949	0.464492
AFS	0.520478	1.000000	-0.158162	0.393051	0.665622	0.284660
ARL	-0.220955	-0.158162	1.000000	-0.072820	-0.126392	-0.484922
SPEC	0.305315	0.393051	-0.072820	1.000000	0.443925	0.331302
FEE	0.435949	0.665622	-0.126392	0.443925	1.000000	0.520947
CS	0.464492	0.284660	-0.484922	0.331302	0.520947	1.000000

Source: Processed secondary data, 2022

The next classical assumption test is the heteroskedasticity test, this test aims to ensure that the residual has the same variant between one observation and another (homoscedasticity). There are several types of testing in conducting heteroskedasticity tests. In this study, the test was carried out using the Glejser test which can be seen in Table 6. Based on statistical tests carried out, it shows that the probability values of all variables during the Glejser test > sig. 0.05. So, it can be concluded that the panel data regression model in this study is free from the problem of heteroskedasticity

Table 6. Heteroskedasticity Test

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistics</i>	<i>Prob.</i>
C	2.247171	1.887233	1.190723	0.2376
TENURE	-0.184906	0.100012	-1.848849	0.0685
AFS	0.187333	0.076137	2.460464	0.0662
ARL	0.187263	0.120158	1.558477	0.1234
SPEC	-0.281314	0.065132	-4.319121	0.1780
FEE	-1.836938	1.580770	-1.162053	0.2490
CS	0.010469	0.015178	0.689731	0.4926

Source: Processed secondary data, 2022

This study uses the moderating audit fee variable, therefore moderated Regression Analysis (MRA) testing is needed to find out how the role of audit fees in moderating the relationship of tenure audits, firm size audits, audit report lags, and auditor specialization to audit quality.

Table 7. Moderated Regression Analysis (MRA) Test Output Results

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistics</i>	<i>Prob.</i>
C	-2.814456	3.490324	-0.806360	0.4227
TENURE	0.345766	0.184966	1.869355	0.0656
AFS	-0.417848	0.140811	-2.967443	0.0041
ARL	0.099437	0.222225	0.447459	0.6559
SPEC	-0.501909	0.120458	-4.166669	0.0001
TENURE*FEE	-26.59085	8.717296	-3.050355	0.0031
AFS*FEE	4.384766	6.978727	0.628305	0.5317
ARL*FEE	19.80269	8.748344	2.263593	0.0265
SPEC*FEE	-17.70712	5.277301	-3.355336	0.0012
CS	-0.055190	0.028070	-1.966134	0.0531

Source: Processed secondary data, 2022

Negative Effect of Tenure Audit on Audit Quality

The value of the independent variable regression coefficient audit tenure is 0.345766 with a significance of 0.0656 (<sig 0.1) which means that the tenure audit has a positive influence on discretionary accruals or has a negative relationship with audit quality. Based on these results, it can be concluded that H₁ was accepted because the tenure audit had a significant negative effect on the quality of the audit. The results of this study are in line with an institutional logic theory which assumes that based on managerial logic, it forms a management system that is oriented toward goals and results. Where managerial values emphasize the efficiency and effectiveness of performance as well as the fulfillment of the public interest. This theory implies that auditors as independent parties have the main goal of increasing the reliability of the company's financial reporting. To achieve these results, auditors will try to improve the efficiency and effectiveness of their performance by avoiding things that can reduce their independence. Audit engagement for too long can undermine the independence of auditors because it can trigger a threat to literacy. The results of this research reinforce empirical evidence from research (Nurintiati & Purwanto, 2017; Pramaswaradana & Astika, 2017; Siahaan & Simanjuntak, 2020; Sutani & Khairani, 2018; Wicaksono & Purwanto, 2021) that states that tenure audits negatively affect audit quality. This is because the longer the audit engagement period that is established triggers emotional closeness between the auditor and the management which is feared to reduce the objectivity of the auditor in carrying out his audit procedures.

Positive Effect of Firm Size Audit on Audit Quality

The value of the independent variable regression coefficient audit firm size (AFS) of -0.417848 with a significance of 0.0041 (<sig 0.05) which means that firm size audits have a negative influence on discretionary accruals or have a positive relationship to audit quality. Based on these results, it can be concluded that H₂ was accepted because the firm size audit had a significant positive effect on the quality of the audit. The results of this study are in line with the theory of institutional logic which assumes that based on professional logic the size of an organization depends on its professional judgment and the standards of the rules it adheres to. This theory implies that the Big Four accounting firm is believed to have a good professional reputation in society. The reputation demonstrates public recognition of the Big Four accounting firm's ability to produce higher audit quality. The assessment is based on the fact that the Big Four Public Accountants have competent human resources and good quality control standards. Such professional status can carry the auditor's reciprocal obligation to fulfill the social contract by protecting the interests of the public. The results of this research reinforce empirical evidence from research (Alareeni, 2018; Andriani et al., 2020; Faisal, 2019; Gemsari & Astuti, 2019; Salehi et al., 2019) states that firm size audits have a positive effect on audit quality. This is because the larger the firm size audit, the greater the level of independence of public accountants (Nurintiati & Purwanto, 2017).

Positive Effect of Audit Report Lag on Audit Quality

The value of the independent variable regression coefficient audit report lag (ARL) of 0.099437 indicates a positive direction toward discretionary accruals or indicates a negative direction toward audit quality with a significance value of 0.6559 (>sig. 0.1). Based on these results, it can be concluded that H₃ was rejected because the audit report lag has no significant effect on the quality of the audit. The results of this study are not in line with the theory of institutional logic which assumes that based on the logic of state law the quality of an organization depends on classical bureaucratic values such as transparency, equality, and compliance with applicable rules. This theory implies that delays in audit reporting are one of the factors that cause a decrease in audit quality. This is because auditors cannot comply with applicable regulations related to the period of publication of annual reports of public companies so this can lead to a decrease in the relevance of financial information. The results of this study tend to be more supportive of the compliance theory of Tyler (1990) because auditors are required to comply with every relevant regulation in carrying out their audit procedures. The results of this research reinforce empirical evidence from the study by Herianti & Suryani, (2016); Siahaan & Simanjuntak (2020), which state that audit report lag does not affect audit quality. This is because the average public company has complied with the Financial Services Authority (OJK) regulation number 29/POJK.04/2016 regarding the deadline for submitting audit reports.

Positive Influence of Auditor Specialization on Audit Quality

The value of the independent variable regression coefficient of auditor specialization (SPEC) is -0.501909 with a significance of 0.0001 (<sig 0.01) which means that the auditor specialization has a negative influence on discretionary accruals or has a positive direction on the quality of the audit. Based on these results, it can be concluded that H₄ was accepted because the auditor specialization had a significant positive effect on the quality of the audit. The results of this study are aligned with the theory of institutional logic which assumes that institutions provide social actors with a set of social norms in society, in which behavior is not driven by the logic of consequences, but by the logic of conformity. The implication of this theory is that auditor specialization is a form of providing social actors who are believed to have adequate experience in auditing an industry. Specialist auditors have extensive business knowledge in the industry to be able to assess business risks or business strategies that are right for the industry. In addition, specialist auditors have clear industry benchmarks for assessing appropriate accounting policies and procedures. Specialist auditors are considered to have had conformity with the social norms that exist in society. The results of this research reinforce empirical evidence from research that states that (Kharuddin et al., 2021; Salehi et al., 2019; S. P. Sari et al., 2019) auditor specializations have a positive effect on audit quality. This is because specialist auditors have a deep understanding of an industry so that errors fees or fraud that may occur can be detected by specialist auditors.

Audit fee Moderates by Weakening the Effect of Tenure Audits on Audit Quality

The value of the regression coefficient obtained from the interaction variable between the tenure audit and the audit fee (TENURE*FEE) is -26.59085 with a significance of 0.0031 (<sig 0.01). Meanwhile, when viewed from the value of the coefficient before the tenure audit interaction, it has a regression coefficient value of 0.345766 with a significance of 0.0656 (<sig. 0.1). Both are equally significant but there are differences in the results of regression coefficients between before and after the interaction showing opposite directions so it can be said that audit fee can weaken the effect of the audit tenure on audit quality. Based on the results of the regression, it can be concluded that H₅ was accepted. The results of this study support the theory of institutional logic assumes that based on professional logic more explicit contracts and stronger incentives are often used to encourage professionals to achieve predetermined goals. The implications of this theory show that the greater the fee or incentive received will encourage auditors to produce better audit quality. This has been empirically proven that the provision of large audit fees can weaken the negative influence of the tenure audit on the quality of the audit. This influence is caused by the longer the audit engagement period coupled with the provision of higher audit fees, which will motivate auditors to improve their performance so that they are expected to produce quality audits.

Audit fee Moderates by Strengthening the Effect of Firm Size Audits on Audit Quality

The value of the regression coefficient obtained from the interaction variable between the firm size audit and the audit fee (AFS*FEE) was 4.384766 with a significance of 0.5317 (> sig. 0.1). Meanwhile, when viewed from the value of the coefficient before the audit interaction firm size has a regression coefficient value of -0.417848 with a significance of 0.0041 (< sig. 0.01). After the interaction, it showed an insignificant influence, so it can be concluded that the audit fee was not able to moderate the effect of the firm size audit on the quality of the audit. Based on the results of the regression, it can be concluded that H₆ was rejected. The results of this study do not support the theory of institutional logic which assumes that based on professional logic more explicit contracts and stronger incentives are often used to encourage professionals to achieve predetermined goals. The implications of this theory show that the greater the fee or incentive received will encourage auditors to produce better audit quality along with the increase in professional responsibility for the reputation of the Public Accounting Firm. However, empirically the hypothesis is not proven because the small amount of audit fee given to the Big Four accounting firm cannot affect the high and low quality of audits. After all, the Big Four accounting firm has no economic dependence on clients. The results of this study tend to be more supportive of the theory of competence by Spencer (1993) which implies that a reputable public accountant certainly has competent human resources, has high independence and professionalism so that it is not easily influenced by the number of incentives provided.

Audit fee Moderates by Weakening the Effect of Audit Report Lag on Audit Quality

The value of the regression coefficient obtained from the interaction variable between audit report lag and audit fee (ARL*FEE) was 19.80269 with a significance of 0.0265 (< sig. 0.05). Meanwhile, when viewed from the coefficient value before the audit interaction, the reporting lag has a regression coefficient value of 0.099437 with a significance of 0.6559 (> sig. 0.1). In terms of the level of significance before the interaction showed an insignificant influence, but after the interaction showed a significant influence. In addition, both have regression coefficient values indicating a positive direction. Thus, it can be concluded that the audit fee can be moderate by strengthening the negative influence of audit report lag on audit quality. Based on the results of the regression, it can be concluded that H₇ was rejected. The results of this study do not support the theory of institutional logic which assumes that based on professional logic more explicit contracts and stronger incentives are often used to encourage professionals to achieve predetermined goals. The implications of this theory show that the greater the fee or incentive received will encourage auditors to produce better audit quality. Thus, the higher the audit fee can increase the motivation of auditors to complete audit reports on time so that the quality of audits increases along with the availability of information when needed. However, empirically, this hypothesis is not proven because the higher the audit fee given, it causes the auditor's economic dependence on the client so it can reduce the level of auditor compliance with applicable rules. The results of this study tend to be more supportive of

the compliance theory by Tyler (1990) because auditors are required to comply with every relevant regulation in carrying out their audit procedures.

Audit fee Moderates by Strengthening the Influence of Auditor Specialization on Audit Quality

The regression coefficient value of the interaction variable between the auditor specialization and the audit fee (SPEC*FEE) was obtained at -17.70712 with a significance of 0.0012 (<sig. 0.01). Meanwhile, before the interaction of specialization auditors had a regression coefficient value of -0.501909 with a significance of 0.0001 (< sig. 0.01). Both are equally significant in a negative direction, but when viewed from the value of the coefficient of the interaction variable, it shows that the value of the coefficient is getting smaller or farther from zero so that it can be concluded that the audit fee can moderate but by weakening the influence of the auditor specialization on the quality of the audit. Based on the results of such regressions it can be concluded that H₈ was rejected. The results of this study do not support the theory of institutional logic which assumes that based on professional logic more explicit contracts and stronger incentives are often used to encourage professionals to achieve predetermined goals. The implications of this theory show that the greater the fee or incentive received will encourage specialist auditors to produce better audit quality. However, empirically, this hypothesis is not proven because a specialist auditor is equipped with adequate competence and experience in auditing an industry, of course, it has its audit fee standards. If the audit fee given is too high, it can cause economic dependence on the client, thereby reducing the quality of the audit. The results of this study tend to be more supportive of the theory of competence by Spencer (1993) which implies that specialist auditors have superior competence in detecting irregularities in the presentation of company financial statements because they have adequate experience in auditing various clients in the industry.

Company Size's Positive Influence on Audit Quality

Additional analysis was carried out by testing the influence of the company size (CS) control variable which showed that the regression coefficient value was obtained at -0.055190 with a significance of 0.0531 (<sig 0.1) which means that the company size has a negative influence on discretionary accruals or has a positive relationship with audit quality. Thus, it can be concluded that this research model remains fit even though it has involved control variables.

CONCLUSIONS

The study has two main contributions. First, it has been found that the factor that most affects audit quality is explained by the tenure audit variables that affect negatively and significantly. Firm size audits have a positive and significant effect. Auditor specialization has a positive and significant effect. Second, this research has found that audit fees can moderate by strengthening the influence of audit report lag variables on audit quality, weakening the influence of audit tenure variables, and auditor specialization on audit quality. However, it is unable to moderate the effect of firm-size audits on audit quality.

This research also has limitations, including the complexity of factors that affect the quality of audits which are explained by other factors that are not explained in this research model. Further research is expected to add to the variety of research models to increase the adjusted R-squared value. Second, this study only has 80 units of analysis, so it is hoped that the next research can increase the number of research analysis units to represent the entire population.

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