ELIT
Economic Laboratory Transition
Research Podgorica

Montenegrin Journal of Economics

For citation:

Kalbuana, N., Taqi, M., Uzliawati, L., Muchlish, M. (2025), "Enhancing Audit Quality Dynamics: Unveiling the Impact of Profitability, Audit Report Lag, Audit Tenure, and Auditee Company Size",
Montenegrin Journal of Economics, Vol. 21, No. 1, pp. 67-77.

Enhancing Audit Quality Dynamics: Unveiling the Impact of Profitability, Audit Report Lag, Audit Tenure, and Auditee Company Size

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ARTICLE INFO

Received August 15, 2023
Revised from September 14, 2023
Accepted October 14, 2023
Available online January 15, 2025

JEL classification: M42, G34

DOI: 10.14254/1800-5845/2025.21-1.6

Keywords:

Audit Quality,
Profitability,
Audit Report Lag,
Audit Tenure,
Company Size

ABSTRACT

This study aims to assess the impact of profitability, audit report lag, audit tenure, and company size on audit quality within LQ 45 companies listed on the Indonesia Stock Exchange. Employing an explanatory approach, the study utilizes panel data analysis and applies both the Ordinary Least Square (OLS) Regression method and the robust Robustness method to empirical data gathered from the annual reports of LQ 45 constituents spanning 2017 to 2021. The anticipated findings suggest that profitability, audit report lag, and company size significantly and positively influence audit quality, while audit tenure does not exhibit a significant impact. The research's limitations encompass its focus on LQ 45 firms and the time frame of 2017-2021. These findings can guide companies in shaping their profitability strategies and audit practices to enhance the quality of financial reporting. The study's originality lies in introducing audit fees as a novel measure of audit quality variables, and it contributes by aligning with agency theory to elucidate the interplay of the investigated variables.

INTRODUCTION

Audit quality has an important role as a tool utilized by various parties who have an interest in a company (Ado, Rashid, Mustapha, & Ademola, 2020). The main focus is to evaluate the extent of the quality and integrity of the company. One of the best approaches to measuring audit quality within a company is through the results of audit reports produced by an independent audit team. Through an in-depth analysis of this audit report, we can gain a more comprehensive understanding of the company's financial condition

and the achievements it has achieved during a certain period. However, there is an interesting point to note, namely the role played by the amount of audit fees, also known as audit fees, in determining the quality of audits.

The amount of the audit fee reflects various interrelated aspects of the audit process, including the level of complexity, business risk, as well as the level of involvement and time required by the auditor team (Martinez & Arquimedes de Jesus Moraes, 2014). With audit fees reflecting higher complexity and risk, it can often be concluded that the company has allocated adequate resources to ensure a comprehensive and in-depth audit.

The importance of the amount of audit fees in influencing audit quality also underlines the importance of the independence and objectivity of the audit team (Moutinho, Cerqueira, & Brandão, 2012). In this situation, adequate audit fees have the potential to support the development and conduct of more detailed and thorough audits, without interference that could undermine the integrity of the audit process itself (Santos, Cerqueira, & Brandao, 2015). A deeper look at the relationship between audit quality and audit fees opens up an understanding of how the size of audit costs can play an important role in ensuring the accuracy, depth, and accuracy of audit results. Audit fees can provide an indication of audit quality, independence and ethics of the audit team remain uncompromising points in assessing the final quality of the audit process (Sayyar, Basiruddin, Zaleha, Rasid, & Elhabib, 2015; Barbuta-Misu et al., 2023).

Audit quality cannot be separated from a number of important variables, such as profitability, audit report lag, auditor turnover, and company size. Profitability, as an indicator of a company's financial performance, has the potential to affect how far the company allocates resources to maintain audit quality (Kalbuana, Suryati, & Pertiwi, 2022). More profitable companies tend to have greater resources to invest in a comprehensive audit process, supporting better audit quality (Ciger, 2020; DeAngelo, 1981; Kusumah & Manurung, 2017; Palmrose, 1986; Wooten & Colson, 2003).

The term "audit report lag" refers to the amount of time that has passed after the end of the financial statement year (which is typically December 31) and the date that the audit opinion was included in the audited financial statements. This can be determined by looking at the difference between the two dates (Escaloni & Mareque, 2021; Zhou, Liu, & Lei, 2022). The longer the audit report lag, the more complex and in-depth the audit process can be, with the potential to improve overall audit quality.

Audit tenure is the length of engagement that occurs or is carried out between KAP and its clients (Novrilia, Arza, & Sari, 2019). A long relationship between auditor and auditee can jeopardize auditor independence and potentially create a close proximity that can reduce audit quality. A long correlation between auditor and auditee can jeopardize auditor independence and create enough familiarity to degrade audit quality. The short relationship between auditor and auditee also makes it difficult for auditors to understand the scope of the company. (S. P. Sari, Diyanti, & Wijayanti, 2019) and (Pramaswaradana & PutraAstika, 2017) found that tenure audits affect audit quality, while research conducted by (Novrilia et al., 2019) found that tenure audits did not have a significant effect on audit quality. Companies that frequently change auditors may face skeptical assessments from stakeholders, which can affect perceptions of audit quality. Conversely, a company with continuity in its audit team can build a deeper understanding of the company's operations, potentially improving audit quality.

Company size also plays a role in determining audit quality (S. P. Sari et al., 2019). Companies with larger sizes tend to have higher complexity, which results in greater audit challenges (Ma & Ji, 2023). However, in the presence of sufficient resources, large companies can often allocate sufficient funds and time to support comprehensive audits, contributing to better audit quality.

1. LITERATURE REVIEW

Agency Theory

When analyzing the interaction between management and capital owners, businesses often turn to a theory known as "agency theory" (Kalbuana, Taqi, Uzliawati, & Ramdhani, 2023). One or more parties (principals) enter into an agency relationship when they contract another party (agents) to provide a service on

their behalf and give the agents discretion over certain matters. There is an agency relationship when shareholders designate managers or agents to act as managers and decision-makers for the company. According to (Jensen & Meckling, 1976), conflicts of interest and information asymmetry between principals and agents are the root causes of agency difficulties.

Audit Quality

Audit quality refers to the likelihood that an auditor would identify and disclose instances of non-compliance within the accounting system of the entity being audited. "Audit service fees" are what the Indonesian Institute of Public Accountants (IAPI) calls the costs of an audit. Management Regulation Number 2 of 2016 says that Public Accountants can accept service fees from their clients in exchange for auditing services. IAPI management also sets a minimum standard for payment of audit service fees of at least Rp60,000,000 (IAPI, 2016). High audit costs are believed to have a positive relationship with higher audit quality. In order to understand and measure audit quality, researchers have used a variety of approaches and indicators. One of the relevant audit quality indicators used is audit costs. Studies conducted by (Yasin & Nelson, 2012) propose the use of audit costs as an indicator of audit quality. They state that higher audit costs reflect the existence of more efficient audit services provided by auditors to companies. This view is in line with the view (O'Sullivan, 2000) which posits that more in-depth investigations require more audit hours and dedicated audit staff, which in turn contributes to higher audit costs. Therefore, assuming that more intensive audit efforts are requisite to ensure financial reports are free of material errors, higher audit costs are expected to indicate a higher level of audit quality.

Profitability

A company's profitability measures its capacity to generate income over a given time frame. When a business is profitable, it is able to turn a profit and use those funds to pay out dividends to its shareholder's (Sunarsih, Munidewi, & Masdiari, 2021). When the company earns a profit, the company tends to report its financial statements faster than companies that experience losses due to the demand to report to the public the company's good position. The indicator used to assess the profitability of a company is ROA (return on assets).

High profitability signifies efficient management in managing company operations and generating consistent profits (Kalbuana, Kusiyah, et al., 2022; Kalbuana, Taqi, Uzliawati, & Ramdhani, 2022). Stable and sustainable profits reflect transparency in financial reporting as well as management's ability to manage business risks. With high profitability, the company has sufficient resources to allocate sufficient funds and time to support an in-depth and comprehensive audit process. Sound finances also create incentives for auditors to work with the company, resulting in a trained and qualified audit team.

High profitability also indicates the application of ethical principles and integrity in the business management (Hasan, 2017). This has the potential to reduce the risk of financial statement violations or manipulation, creating a more conducive environment for auditors to work independently. High profitability reflects efficiency, transparency, and adherence to ethical principles, this hypothesis proposes that companies with higher profitability have better audit quality.

H1: Profitability has a positive effect on audit quality

Audit Report Lag

Audit Report Lag is the period of time between the end of the company's financial year and the date of completion of the audit report by the auditor (Stephanie, Jatmiko, & Prabowo, 2017). Audit Report Lag is considered an important indicator in the audit and financial reporting process, and can affect the quality of company audits. The shorter the Audit Report Lag, the faster audited financial information is presented to the public, reflecting the accuracy and thoroughness in the company's financial reporting. Fast audit completion reflects the company's readiness to provide accurate and transparent financial information to stakeholders. In this context, companies tend to make better preparations for the audit process, including the provision of necessary data and documents. A shorter Audit Report Lag can also reduce the risk of manipulation or irregularities in financial reporting. A short Audit Report Lag reflects the efficiency of the audit process and good coordination between the company's management and the auditor team. When the auditor can complete the audit quickly, it shows that the company has an organized accounting system

and good documentation, making it easier for the auditor to conduct a thorough audit. Thus, in the context of improving audit quality, a short Audit Report Lag has an important role. The speed in completing audit reports reflects transparency, accuracy, and efficiency in the company's financial reporting process. Therefore, hypotheses were proposed:

H2: Audit Report Lag has positive impacts on audit quality

Audit Tenure

Audit Tenure refers to the length of time a company has used the services of the same auditor. When a company has established a long audit relationship with a team of auditors, this can have a positive or negative impact on audit quality. The length of the audit relationship can create a deeper understanding between auditors and the company management (Dewita & NR, 2023). The advantage of this long relationship is that auditors can better understand the characteristics of the company's business, the risks faced, and the accounting systems and practices applied (Kusumah & Manurung, 2017).. However, too long an audit relationship can result in bias or loss of auditor independence, which can be detrimental to audit quality. In addition, a long audit relationship can also result in freshness in audit perspectives and approaches. Auditors may tend to be overly familiar with company practices, reducing their ability to detect potential irregularities or fraud. This can reduce the overall quality of the audit. In relating the relationship between Audit Tenure and audit quality, it should be noted that there is a trade-off between deep understanding and auditor independence. Therefore, hypotheses were proposed:

H3: Audit Tenure has positive impacts on audit quality

Auditee Company Size

Auditee Company Size refers to the scale or dimension of the company in terms of assets, revenue, or total employees it has. The size of the company is considered to have implications for the quality of audits carried out (S. P. Sari et al., 2019). Companies of larger size tend to have higher complexity in their operations and financial statements, which can have impact on audit quality. Big companies have more financial transactions, more complex financial statements, and more diversified business risks (Hasan, 2017). Therefore, audits in large companies require greater effort and more in-depth analysis. With a larger size, companies also have more resources to allocate funds and sufficient time to support a comprehensive audit process. However, on the other hand, high complexity can also present challenges for auditors. Auditors must be more thorough in auditing more complicated and diverse information. In addition, a large company size can also result in a higher potential conflict of interest, especially if the company is associated with auditors or other affiliated entities. In associating company size with audit quality, it is necessary to recognize that a larger size does not necessarily result in better audit quality. There is a complex dynamic between company size, operational complexity, and auditors' ability to manage audits. Therefore, hypotheses were proposed:

H4: Auditee Company Size has a positive effect on audit quality.

2. METHODOLOGY

This study uses a quantitative approach to provide strong empirical arguments with respect to statistical interpretation. The purpose of this study is to provide a solid empirical basis for the influence of profitability variables, audit report lag, audit tenure, and company size on the audit quality dimension. The research approach taken is explanatory, which aims to uncover cause-and-effect relationships among these variables. The study population is companies in LQ 45 listed on the Indonesia Stock Exchange (IDX) during the period 2017-2021, with a sample of 23 companies Technique analysis data employed in this study involves the utilization of a panel data analysis approach. This approach incorporates the application of the Ordinary Least Square (OLS) Regression model and the Robust method concurrently, utilizing the Stata statistical program. The utilization of this methodology has demonstrated a greater degree of precision in interpreting data compared to conducting partial testing, hence playing a vital role in facilitating the formulation of research hypotheses.

2.1 Research Regression Model

Regression analysis is a statistical tool that allows us to investigate the closeness of relationships between various variables. More specifically, regression analysis serves to project or anticipate how the value of an independent variable (Y) will change along with variations in the dependent variable (X). Within this framework, this study applies the panel data regression analysis method. Panel data regression research examined how company size, profitability, audit quality, and accounting conservatism affect performance. By describing the dependent and independent variables, we can create a model equation that works as follows:

$$AQ_{i,t} = \beta_0 + \beta_1 ROA_{i,t} + \beta_2 ARL_{i,t} + \beta_3 AT_{i,t} + \beta_4 ACS_{i,t} + \mathcal{E} \text{ .....(1)}$$

To explain the variable profitability model, audit report lag, audit tenure, and the size of the auditee company on audit quality as follows:

Table 1. Variable Description

Symbol		*Description*
i	=	Cross-section data
t	=	Time series data
AQ	=	Audit Quality
ROA	=	Profitability
ARL	=	Audit Report Lag
AT	=	Audit Tenure
ACS	=	Audit Company Size
α	=	Constanta
β_1, β_2, β_3, β_4	=	Regression coefficients of variables ROA, ARL, AT, ACS
ϵ	=	Error

Source: own

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

Descriptive statistics can show the lowest, maximum, mean, and standard deviation of the company sample variables. The table below displays information gathered from a representative sample of LQ-45 businesses for the years 2017-2021:

Table 2. Descriptive Variables

Variables	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*	*p1*	*p99*	*Skew.*	*Kurt.*
AQ	115	21.909	1.143	19.67	24.87	19.74	24.8	.109	3.048
ROA	115	.061	.06	-.118	.222	-.107	.212	.248	3.498
ARL	115	68.53	27.333	15	148	16	146	.171	3.04
AT	115	.087	.283	0	1	0	1	2.932	9.595
ACS	115	13.764	.638	12.673	15.225	12.707	15.207	.777	2.681

Source. own

3.2 Pearson Correlation Test

Pearson correlation test measures the strength of the relationship between the Effects of Profitability, Audit Report Lag, Audit Tenure, Audit Company Size, To Audit Quality. The output of this analysis is presented below:

Table 3. Pearson Correlation Test

Variables	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*
(1) AQ	1.000				
(2) ROA	0.115	1.000			
	(0.220)				
(3) ARL	-0.031	0.405	1.000		
	(0.742)	(0.000)			
(4) AT	-0.048	-0.025	-0.151	1.000	
	(0.613)	(0.792)	(0.107)		
(5) ACS	0.417	-0.114	0.046	-0.155	1.000
	(0.000)	(0.224)	(0.622)	(0.097)	

Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)
(1) AQ	1.000				
(2) ROA	0.115	1.000			
(3) ARL	-0.031	0.405*	1.000		
(4) AT	-0.048	-0.025	-0.151	1.000	
(5) ACS	0.417*	-0.114	0.046	-0.155	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Source: own

The table shows that the variables Profitability, Audit Report Lag, Audit Tenure, Audit Company Size, and Audit Quality have values above 0.05 (5%). These variables have been declared appropriate for use in model validation. Values greater than 0.05 (5%) can be rationalized by the aforementioned reliability test outcomes. This demonstrates that if tested, all of the variables in use yield the same results.

3.3 Goodness of Fit Model Testing

The evaluation of a hypothesis in the research holds significant importance as it serves to ascertain the scientific rigor of the conducted study. In order to assess the scientific viability of the model, four experiments were conducted. The analysis conducted involved regression analysis using the Ordinary Least Squares (OLS) method, with a focus on assessing the robustness of the results. The output of this analysis is presented below:

Table 4. Goodness of Fit Model Testing

Variables	(Model 1) Ordinary Least Square Test	(Model 2) Robustness Test
ROA	5.166***	5.166***
	1.534	1.523
	0.001	0.001
ARL	0.009**	0.009**
	.004	.004
	0.014	0.030
AT	-.158	-.158
	.299	.315
	0.597	0.616
ACS	1.314***	1.314***
	.154	.157
	0.000	0.000
Constant	2.879	2.879
	2.257	2.430
Observations	115	115
R-squared	.413	.413
Number of Year	5	5

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: own

3.4 Discussion of Research Results

3.4.1 Profitability has a positive effect on audit quality

Profitability indicates the result of a positive coefficient estimation according to the first hypothesis. The findings of the t-test describe that profitability has significant and a positive impact on audit quality at the level of significance of p-values of 0.001 ≤ 0.05 (5%) in both models in both the OLS and Robustness test. The results of the empirical tests show that increased profitability influences audit quality positively, while lower profitability influences audit quality negatively.

Empirical test results consistently reveal that higher levels of profitability significantly contribute to improved audit quality. Conversely, low levels of profitability correlate with a decrease in audit quality. These empirical findings strongly support the hypothesis that has been proposed, namely that profitability has significant and a positive impact on audit quality (hypothesis accepted with a significance p-value of 0.001 ≤ 0.05 (5%)). The obtained results align with the anticipated outcome as hypothesized, which is consistent with the conclusions drawn from prior research (Hasan, 2017).

In agency theory, these findings describe the dynamics underlying the relationship between company management and independent auditors. Agency theory considers a company as an entity consisting of owners (principals) and management (agents) acting on behalf of owners. Conflicts of interest can arise due to differences in goals between owners who want to maximize profits and management who may have different motivations. In this case, management that is able to maintain a higher level of profitability shows competence and efficiency in carrying out the company's operations. This success reflects management's ability to manage company resources effectively, which in turn can increase transparency in financial reporting. Proactive management in managing business risks also creates a more stable and trustworthy environment for stakeholders, including auditors.

An important aspect in agency theory is the presence of incentives that encourage certain behaviors. In this context, having higher profitability provides companies with adequate resources to allocate sufficient funds and time to support more in-depth and detailed audits. This creates an incentive for auditors to work effectively and in high quality with the company, as accurate and reliable audit results also contribute to a positive image of the company in the eyes of stakeholders. These findings reinforce the principle in agency theory that efficient and transparent management creates an environment conducive to auditors working independently. In situations where management has a good level of efficiency, auditors can be more flexible in making objective assessments of the company's financial statements. This helps maintain the integrity of financial statements and reduces the risk of manipulation or ethical violations in financial reporting.

As such, these empirical results provide valuable guidance for companies in managing their profitability strategies taking into account the implications for audit quality. The application of the principles of efficiency, transparency, and risk management within the agency's theoretical framework will potentially improve audit quality, which in turn can help increase stakeholder confidence in the company's financial information.

3.4.2 Audit Report Lag has an impact on audit quality positively

The findings of the study indicate a positive coefficient estimation for Audit Report Lag, which aligns with the initial premise. The findings of the t-test indicate that there is a statistically significant positive relationship between audit report lag and audit quality. This relationship is observed at a significance level of p-values of 0.014 and 0.030, which are both less than the conventional threshold of 0.05 (5%). These results hold true for both the ordinary least squares (OLS) and robustness test models. The empirical findings demonstrate a positive correlation between audit report lag and audit quality, indicating an increase in an improvement in audit quality is associated with an improvement in audit report lag. Conversely, a decrease in audit report lag is linked to a decline in audit quality.

Empirical testing results consistently reveal that the level of audit report lag significantly contributes to improved audit quality. Conversely, low audit report lag correlates with a decrease in audit quality. The empirical findings presented in this study provide robust support for the suggested hypothesis, which posits a positive correlation between audit quality and audit report lag. This hypothesis has been accepted based on statistical analysis, with a significance level (p-value) of 0.014, which is less than the conventional threshold of 0.05 (5%). The findings shown here are consistent with the anticipated outcome as suggested by the initial hypothesis, which aligns with the conclusions drawn from prior research conducted by.

In the context of agency theory, the results of these findings can be analyzed in depth. Agency theory underscores the importance of accurate and relevant information in mitigating conflicts of interest between owners (principals) and management (agents). In this case, audit report lag can be viewed as an indicator of transparency and integrity of management in reporting financial information to stakeholders. The existence of a higher audit report lag can reflect a careful and accurate attitude in preparing financial statements. Management who allow sufficient time to prepare audit reports can demonstrate dedication to accurate and unhurried reporting. It can also indicate a level of complexity and comprehensiveness in the audit process, which in turn has the potential to improve audit quality.

In the view of agency theory, management committed to reporting information in a timely and in-depth manner demonstrates a willingness to be transparent and build trust with stakeholders. Management that tends to present information quickly without neglecting quality can create doubt and uncertainty among stakeholders, which goes hand in hand with agency risk. However, management that demonstrates prudent reporting policies can provide confidence to auditors and stakeholders that financial statements are an accurate reflection of a company's performance. These empirical findings indicate that higher audit report lag has positive implications for audit quality. This illustrates the importance of management in giving attention and dedication to an in-depth and comprehensive audit process. Within the framework of agency theory, a longer audit report lag can reflect management's seriousness in managing agency risk and reduce potential conflicts of interest between principals and agents.

3.4.3 Audit Tenure has a positive effect on audit quality

According to audit tenure, the discrepancy between the null hypothesis and the negative coefficient estimate was glaring. According to the t-test, between audit tenure and audit quality no correlation at the 5% level of significance (p-value = 0.597 ≥ 0.05 in OLS models and p-value = 0.616 ≥ 0.05 in the Robustness Test model). The longer an audit is conducted, the lower the audit quality, contrary to what may be expected based on the findings of empirical tests. The estimated negative coefficient and p-value of -0.597 ≥ 0.05 (5%) indicate that the empirical evidence does not support the hypothesis. This theory goes in the other direction of what has been found in prior research (Dewita & NR, 2023).

From the perspective of agency theory, these findings present an interesting understanding. Agency theory highlights the importance of the relationship between management as agents and owners as principals, as well as the potential conflict of interest between the two. In the context of audit tenure, which is the width of the period of cooperation between the client and the auditor, there are dynamics that need to be analyzed. The finding that audit tenure does not have a significant impact on audit quality can be interpreted in two ways. First, positively, it can demonstrate the continuity and depth of the auditor's knowledge of the client's business practices and processes. When an auditor works for a long time of time with a company, they have the opportunity to better understand the company's unique operations, risks, and characteristics. This can have a positive impact on the auditor's ability to identify problems and potential violations in the audit process.

The findings may also present a debate about auditor independence and objectivity. Over the long term, a close relationship between the client and the auditor may raise the risk that the auditor may become overly accustomed to or less critical of the client's business practices. This can reduce the auditor's competence to identify violations or misstatements in financial reports in an independent manner.

This finding does not support the initial hypothesis that assumes a positive effect of audit tenure on audit quality, it can actually be seen as a more comprehensive understanding of the complex dynamics in

the relationship between the client and the auditor. Long tenure audits may have advantages in terms of an in-depth understanding of the client's business, but can also pose potential risks to independence and objectivity. In the face of these findings, practitioners and stakeholders can consider ways to mitigate potential independence risks and ensure that the relationship between the client and the auditor remains healthy, transparent, and beneficial to all parties involved.

3.4.4 Auditee Company Size has an impact on audit quality positively

Positive coefficient estimation is displayed in Auditee Company Size, supporting the null hypothesis. Results of the t-test explain why the auditee company size affects audit quality positively and significantly at the 5% level of significance in both the OLS and Robustness Test models. Empirical testing demonstrates that larger auditee companies result in higher audit quality, and that smaller auditee companies result in worse audit quality. The results provide empirical evidence for the accepted hypothesis that auditee firm size positively affects audit quality (p-value 0.000 0.05 (5%)), in line with previous studies.

In agency theory, these findings show a significant correlation between the size of the auditee firm and the quality of the audit. The size of the company can reflect greater operational complexity and business transactions, which in turn affects the need for more in-depth and careful audits. Larger companies may have more layers of operations, business units, and activities that require more rigorous monitoring and evaluation. Therefore, auditors will need to allocate more resources and time to understand various aspects of the company, analyze risks, and verify transactions thoroughly.

These findings are in line with agency theory which states that the more complex an organization is, the more important the role of monitoring and supervision. In the context of auditing, company size can act as a proxy for this complexity. Auditors have the responsibility to identify and report violations or risks in financial statements, and larger company sizes tend to reinforce the need for comprehensive, detailed audits.

In addition, these findings are also in line with the existing literature, where previous studies have shown a positive correlation between company size and audit quality. A larger company size can signify more transparency, resources, and the ability to implement good business practices. In this case, the size of the company can be a contributing factor in ensuring that the audit is carried out carefully and in-depth. These findings provide a view consistent with agency theory and existing literature, suggesting that the size of the auditee firm has a significant positive impact on audit quality. This underscores the importance of considering the complexity and scale of a company's operations in an audit setting, as well as how the size of the company can affect the resources allocated to ensure a comprehensive, high-quality audit.

CONCLUSION AND POLICY RECOMMENDATION

Empirical findings show that the profitability have significant and a positive impact on audit quality. These results illustrate that companies with higher levels of profitability tend to have better audit quality. From the perspective of agency theory, this indicates that efficient management in carrying out company operations can create a more conducive environment for auditors to work independently and transparently, as well as mitigate the risk of violations or manipulation of financial statements.

Audit report lag has a significant and positive impact on audit quality. These results illustrate that companies with higher audit report lag have better audit quality. From the perspective of agency theory, this can be interpreted that management that is more careful and pays attention to integrity in preparing audit reports tends to result in higher audit quality. It also emphasizes the importance of management in allowing sufficient time for a comprehensive audit process.

An interesting finding is that the length of the cooperation period between the auditor and the client (audit tenure) does not have a significant impact on audit quality. While not in line with the initial hypothesis, these findings indicate that a longer relationship between auditors and clients does not necessarily positively impact audit quality. In the perspective of agency theory, these results highlight the complexity

of maintaining a balance between the continuity of auditors' knowledge about the company and the potential risks to independence and objectivity.

The size of the auditee company has a positive and significant influence on the quality of the audit. These results are in line with agency theory, which emphasizes that the larger the size of the company, the more important the role of monitoring and supervision. Larger companies have higher operational complexity, requiring more in-depth and comprehensive audits to ensure the integrity of financial statements.

Overall, the results of this analysis provide a comprehensive view of the dynamics between factors such as profitability, audit report lag, audit tenure, and company size to audit quality. These findings can provide valuable guidance for companies in managing their strategies and policies, taking into account their impact on the in-depth audit process and the quality of financial statements. Within the framework of agency theory, these results also underscore the importance of transparency, integrity, and risk management in maintaining high audit quality and building trust with stakeholders.

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