

The Effect of Audit Tenure, Audit Fee, Auditor Specialization, Auditor Reputation and Firm Size on Audit Quality

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Abstract

Purpose: This study seeks to examine the impact of audit tenure, audit fees, auditor specialisation, auditor reputation, and the size of accounting firms on the quality of audits in manufacturing companies listed on the Indonesian Stock Exchange from 2018 to 2021. Recent public perceptions of audit quality have been influenced by the discovery of violations within clients' accounting systems, which have been reported in audited financial statements. These violations involve public accountants, highlighting the importance of the manufacturing sector to the Indonesian economy. This sector, with its high volume of transactions and complexity compared to other sectors, necessitates further research to identify factors that can influence audit quality, particularly in manufacturing companies. In this study, audit tenure, audit fees, auditor specialisation, auditor reputation, and the size of the accounting firm are considered as independent variables, with audit quality as the dependent variable. This research is conducted with a commitment to rigour and thoroughness, reflecting the standards expected of seasoned researchers in the field.

Methodology: This study utilises SPSS software version 27 for hypothesis testing, descriptive statistical analysis, and logistic regression analysis. Secondary data were gathered from 193 manufacturing companies listed on the Indonesian Stock Exchange, spanning a four-year observation period. The sample was selected using a sampling method, yielding data from 168 companies.

Results: The research findings indicate that audit tenure and auditor specialisation significantly influence audit quality. Conversely, audit fees, auditor reputation, and firm size do not have a significant impact on audit quality.

Applications/Originality/Value: The study underscores the importance of specialisation in client selection for public accounting firms aiming to enhance audit quality. This research contributes original insights of value to the field, particularly for practitioners seeking to improve audit processes and outcomes.

Introduction Section

A company is an entity composed of shareholders, capital contributors, and operational management. The company's management is obligated to disclose its business and financial status in the form of a financial report. However, potential conflicts of interest may arise between the report's recipients and the management during the financial reporting process. Therefore, third parties should evaluate the reliability of financial statements, guiding the auditor in providing essential information for the decision-making process and ensuring that the financial reports prepared by management align with accounting records (Quispe, 2023).

The auditor is ideally positioned to perform the audit function. Auditors are authorised to provide independent opinions on financial statements (Quispe, 2023). It is the auditor's responsibility to investigate and disclose any errors in financial statements, as well as any factual data collected during the various stages of the audit (Nuri, 2021). Audit quality is defined as the auditor's ability to identify and inform users of any financial irregularities or errors (DeAngelo, 1981).

Financial reports are a crucial source of information for businesses and influence investment decisions. High-quality financial statements reflect the company's level of compliance with current regulations, particularly CIS, thereby enhancing user and public confidence. The quality of financial reports can be evaluated and enhanced through the auditing process. The audit results are significantly supported by the services of the Public Accounts Office (KAP) audit team, which is considered independent in expressing its opinion. A public accountant can be viewed as a professional and independent insurance service provider responsible for enhancing the accuracy, quality, and reliability of the information used in decision-making (R. Sari & Rahmi, 2021).

DeAngelo (1981) posits that audit quality is the auditor's ability to rectify issues in their client's accounting system. If an auditor identifies an error in the accounting system, they can report the error. According to this definition, a high-quality audit is one conducted by an independent and competent auditor. The auditor's relevant competence is their ability

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to detect misrepresentations in financial statements, while their independence is their willingness to disclose any misrepresentations found in financial statements ([Hartono & Laksito, 2022](#)).

Audit Tenure is the first factor that can influence audit quality. While long retention periods with clients generate revenue for the auditor, they can also foster emotional relationships that may compromise the auditor's independence in detecting and reporting inconsistencies in the client company's financial reports, thereby reducing the resulting audit quality ([Nuri, 2021](#)). According to research findings ([Hartono & Laksito, 2022](#)), hypothesis testing of the effect of Audit Tenure on Audit Quality shows a significant negative impact on the dependent variable of Audit Quality. This suggests that a shorter duration of audit tenure between the KAP and the client does not affect audit quality.

El-Gammal ([2012](#)) defines an Audit Fee as a nominal charge levied on the audited group for executing audit procedures. Factors that can potentially compromise the auditor's independence include the provision of honorariums and the determination of potential honorariums for members of the audit firm. The size of the audit fee can fluctuate based on the risk assignment, required level of expertise, complexity of services, costs, structure of the Public Accounting Firm, and other professional considerations. Consequently, the quality of a company's financial reports' audit can be influenced by the size of the audit fee. However, research by Jaiman et al ([2022](#)) suggests that audit fees do not impact the quality of audits. A low level of audit fees charged to auditors by the company does not determine or influence the quality of the resulting audit.

Auditor specialisation is the third factor that can influence audit quality. An auditor is considered specialised in an industry if the auditor's clients' total assets represent more than thirty percent of the industry's total assets. Research by [Hartono & Laksito \(2022\)](#) indicates that auditor specialisation positively influences audit quality. The greater an auditor's expertise (specialisation) in an industry, the more competent the auditor is in detecting errors in financial reports.

The auditor's reputation is the fourth factor that can influence audit quality ([Ade Irma et al., 2020](#)). A study by [Pham et al. \(2017\)](#) demonstrated that companies audited by the Big Four KAP auditors offer higher audit quality. However, [Andriani et al \(2018\)](#) found that the auditor's reputation does not influence the quality of the audit.

The size of the KAP is the fifth factor that can influence audit quality. The size of the KAP is a metric used to determine the size of the accounting office. The size of a public accountant's office is typically measured by the number of partners, number of auditors, and amount of revenue. [Rinanda & Nurbaiti \(2018\)](#) showed that a larger public accounting firm with more than ten affiliates can produce high-quality audits; the KAP size had a positive effect on audit quality. In contrast, [Astuti et al. \(2022\)](#) found that KAP size does not significantly affect audit quality, suggesting that a large number of partners in a KAP does not necessarily yield an excellent audit.

Based on research results, [Effendi & Ulhaq \(2021\)](#) stated that the auditor's reputation affects audit quality, while audit tenure, company size, and audit committee do not affect audit quality. [Jaiman et al. \(2022\)](#) found that audit fees and auditor specialisation do not affect audit quality, while audit rotation, audit tenure, and company size do affect audit quality. [Rizaldi et al. \(2022\)](#) found that audit tenure and auditor reputation do not affect audit quality, while audit committees and audit fees do affect audit quality. S. P. [Sari et al. \(2019\)](#) found that audit rotation, audit fees, and accounting company size do not affect audit quality, while audit tenure and auditor specialisation do affect audit quality. These studies highlight differences in results, which often arise due to research gaps in terms of population, sample, methodology, and so on. Therefore, further research is necessary to obtain more accurate results.

This study builds upon the research conducted by [Hartono & Laksito \(2022\)](#), which examined variables dependent on audit quality and independent variables of audit tenure, audit fees, the size of public accounting firms, auditor specialisation, and audit committees. The sample for this study consisted of energy companies listed on the Indonesian Stock Exchange (BEI) from 2016 to 2019. Notably, one independent variable from the original study, the audit committee, was supplanted with the auditor's reputation in this research. The introduction of the auditor's reputation as an independent variable is justified by the findings of [Hartono & Laksito \(2022\)](#), where only one variable, the size of the public accounting firm, was found to influence audit quality. Therefore, it is deemed necessary to introduce an additional characteristic to explore other potential factors affecting audit quality. The auditor's reputation is posited to influence audit quality due to the qualifications and independence demonstrated by both Big Four and non-Big Four public accounting firms in conducting the audit process. Based on the foregoing, the author intends to conduct a study titled "The Impact of Audit Tenure, Audit Fee, Auditor Specialisation, Auditor Reputation, and Firm Size on Audit Quality."

Literature Review

Agency Theory

[Jensen & Meckling \(1976\)](#) provide an exposition on agency theory, elucidating the contractual relationship between an employer (the principal) and an agent entrusted with specific duties and the provision of necessary information. The contractual arrangement between the principal and agent obligates management to provide services to the principal. The agency relationship between the agent and client is oriented towards utility maximisation. In a scenario where the principal places trust in the agent, the agent, reciprocating the trust, must demonstrate competence in fulfilling their duties ([Jaiman et al., 2022](#)).

Agency issues in auditing arise from the procedures undertaken within the agency framework. This occurs when auditors, engaged by management to conduct audits in the interests of shareholders, maintain a direct financial connection with the management. Such institutional procedures may potentially compromise the auditor's independence, as they might prioritise the client's interests over their auditing duties, thereby jeopardising the integrity of the audit process. Consequently, auditors must remain vigilant of potential procedural risks ([Oktavia & Challen, 2022](#)). Audit quality serves as a pivotal criterion in auditor selection. Essentially, the quality of audit services offered to clients is the primary determinant in auditor selection. According to agency theory, management seeks to appease investor expectations by selecting auditors who, in the eyes of investors, epitomise sound managerial attributes.

Audit Quality

[DeAngelo \(1981\)](#) characterises audit quality as the auditor's proficiency in identifying and indirectly disclosing significant anomalies in a client's accounting practices. Quality control is maintained by individuals who are both qualified and independent. The objective of audit quality is to augment the efficacy of audit reports utilised by users of financial statements. In this study, profit quality serves as a metric for gauging audit quality. [Chen et al. \(2008\)](#) suggest that subpar audit quality may result in profit figures that contain inaccurate accounts, thereby misrepresenting the company's operational outcomes and financial status. Discretionary accruals represent the extent of accruals influenced by managerial directives. Auditors may withhold alliance opinions if management threatens to terminate the audit relationship upon the issuance of such opinions. Consequently, the issuance of an opinion becomes a measure of quality control ([Effendi & Ulhaq, 2021](#)).

The precision of data provided by auditors, in accordance with auditing standards, including information on any accounting irregularities in the client company's financial statements, constitutes audit quality. Users of financial reports exhibit greater confidence in reports audited by highly qualified auditors compared to those audited by less esteemed auditors, presuming the former will diligently scrutinise for fraud or misconduct to maintain credibility ([Aritonang & Darmawati, 2022](#)).

Audit Tenure

[Effendi & Ulhaq \(2021\)](#) define audit tenure as the duration of the audit engagement between the public accounting firm (KAP) and the client for previously agreed-upon audit services. [Rinanda & Nurbaiti \(2018\)](#) elucidate that long-term tenure assists auditors in mastering their understanding of the corporate environment. However, extended tenure may compromise auditor independence and potentially foster a cosy relationship between company management and the audit team. To produce high-quality audit financial reports, auditors must maintain professional attitudes throughout the audit tenure and continually enhance the quality of their work.

Audit tenure, or the duration of the auditor-client relationship, enhances the quality of audit conclusions within financial statements. Maintaining a certain distance between auditors and clients fosters a neutral attitude, enabling auditors to fulfil their responsibilities impartially ([Hartono & Laksito, 2022](#)). Auditors with longer engagement periods develop deeper business knowledge and audit proficiency, enabling them to devise effective audit programmes and deliver high-quality financial audit reports. However, prolonged tenure may compromise auditor independence, leading to decreased objectivity over time and potentially impacting the accuracy of financial statements, thereby reducing audit quality ([Oktavia & Challen, 2022](#)).

Audit Fee

Audit fees are amounts paid by clients to auditors, determined based on risk, alliance complexity, services rendered, and the level of expertise required. Organizations use fees to manage information asymmetry, bearing in mind differing interests between management and shareholders. The audit fee variables are gauged through professional fee accounts documented in the financial reports of corporations listed on the Indonesian Stock Exchange (BEI) ([Jaiman et al., 2022](#)).

[Hartono & Laksito \(2022\)](#) emphasize that agency theory attempts to elucidate how contracting parties can formulate contracts amidst information asymmetry and unforeseeable circumstances to minimize costs. While setting audit fees is governed by general standards, it is deemed less crucial than securing the alliance; auditors will invariably strive to generate sufficient revenue. The audit fees are expected to impact audit quality. However, price competition among auditors has led some firms to undercut their fees significantly below the IAPI decision, aiming to attract clients and cut costs ([Dewita & NR, 2023](#)). Since fee wars could tarnish an auditor's reputation, determining audit fees must be a mutual agreement between the client and the auditor.

Auditor Specialization

Auditor specialization is an auditor who is highly skilled and knowledgeable of a particular industry, thus being able to comprehend more fully, quickly and accurately the characteristics of a company in a specific industry ([Siregar & Elissabeth,](#)

[2018](#)). This specialized audit expertise can enhance the evaluation of estimates and the reliability of financial statements, thereby facilitating experienced auditors in identifying errors or anomalies within the audited industry.

Auditor specialization encompasses the knowledge and experience of an auditor specialist within a particular industry. In the realm of auditing and monitoring management performance, auditors may encounter complex issues impacting financial statements. Thus, maintaining audit quality necessitates auditors specializing in comprehending the intricacies of the client's industry. [Panjaitan and Chariri \(2014\)](#) assert that selecting auditors specialized in a specific industry enhances audit quality, as these auditors possess the experience and ability to manage risks inherent to that industry.

Auditor Reputation

According to [Putri \(2018\)](#), auditors within the Big Four firms are more likely to produce high-quality audits, benefiting from their extensive experience and high levels of public trust. In this study, the reputation of auditors is gauged by the size of both Big Four and non-Big Four KAPs.

The Big Four comprises four of the world's largest professional services firms offering a wide array of services including insurance, tax, management consultancy, audit, and corporate financial services. A reputable KAP signifies the auditor's commitment to independence in carrying out audit tasks. Larger KAPs are often associated with accreditation, indicating the auditor's ability to maintain independence professionally, as they are less financially reliant on specific clients. Unlike smaller accounting firms, larger ones are more susceptible to reputational damage resulting from audit failures. Furthermore, larger KAPs exhibit less financial dependency, reducing reliance on individual clients ([Effendi & Ulhaq, 2021](#)). The reputation of an auditor mirrors the accomplishments and public trust attributed to their esteemed name.

Firm Size

How to figure out the size of KAP is by counting the number of partners, auditors, clients, and revenue ([Wulandari & Irwanto, 2020](#)). According to [Rinanda & Nurbaiti \(2018\)](#), based on the number of audit partners, KAP's in Indonesia are divided into three categories, namely large CAPs that have more than 10 partners, medium KAP's which have 6-10 partners, and for small KAP's having fewer than 6 partners. Small CAPs are rated 1, medium KAP is 2 and large KAP is 3.

Two perspectives can be used to investigate the connection between audit quality and KAP: the quality uniformity perspective and the economic dependence perspective. The effect state that the size of the KAP has an effect on audit quality, which means that the larger a KAP with >10 affiliations can produce audit quality. tall one ([Rinanda & Nurbaiti 2018](#)). Research results show that when audits are carried out by a large, honoured KAP, it has a strong financial capacity and knowledge to prevent opportunistic actions and external management processes. A large KAP is also rigorous in recruiting auditors, so that a large KAP can produce the best auditors compared to other KAP's, thereby improving the quality of audits ([Wulandari & Irwanto, 2020](#)).

Hypothesis Development

Effect of Audit Tenure on Audit Quality

One factor that may influence the quality of audits is audit tenure. The term "tenure" refers to the duration of the audit engagement between the KAP and the client for previously agreed-upon audit services. Long-term collaboration between auditors and clients allows auditors to develop a deeper understanding of the company's operations, facilitating auditing processes and making independent audit reports more readily identifiable. Auditors oversee and regulate administrative activities to ensure they align with established objectives. With time spent working together, auditors gain a better grasp of the client's industry dynamics, enhancing their familiarity with the client's business environment ([Buchori & Budiantoro, 2019](#)).

According the findings of the study by Hartono & Laksito (2022), the dependent variable for the Quality Audit showed a statistically significant negative effect when the audit tenure hypothesis was tested, This research is consistent with that of [Wicaksono & Purwanto \(2021\)](#), who found that the length of the audit tenure significantly effect the direction of the negative coefficient on audit quality, indicating that the quality of the audit may vary depending on how long the relationship among the auditor and the client lasts. According to the description given above, the following is the study's hypothesis:

H1: Audit Tenure affects on audit quality

Effect of Audit Tenure on Audit Quality

Depending on the risk, the intricacy of the alliance, the services offered and the level of expertise necessary to provide those services, audit fees are amounts that the client pays to the auditor. An organization or company uses charges to process information asymmetrically, and the purposes of management and shareholders are different. Measurement of audit fee variables is carried out through professional fees accounts listed in the financial reports of businesses that trade on the Indonesian Stock Exchange (BEI) (Jaiman et al., 2022).

According to the results of the study Hartono & Laksito (2022) It has been asserted that subjecting the audit fee hypothesis to testing shows a statistically significant negative influence dependent variable, namely the audit quality. The outcomes are consistent with the research Ade Irma et al (2020) states that the audit fee exerts a noteworthy and beneficial influence on the quality of audits. According to this assertion, an increase in the audit fee corresponds to an improvement in audit quality. This improvement is attributed to the audit fees acquired during a given year and the assessment of operational costs, which are believed to improve the overall quality of the auditing process. According to the description given above, the following is the study's hypothesis:

H2: Audit fees affect on audit quality

Effect of Auditor's Specialization on Audit Quality

A specialized auditor is an auditor who has a specialized and in-depth understanding and knowledge of a particular industry, thus being able to understand more fully, quickly and accurately the characteristics of a company in a specific industry (Siregar & Elissabeth, 2018). An auditor can be called a specialist if he has undergone training focused on a particular industry (Kirana & Ramantha, 2020).

According to the results of Hartono & Laksito (2022) study, The quality of audits is positively impacted by the effect of audit specialization. The study's findings are consistent with Buchori & Budiantoro (2019) research has identified that the specialization of an auditor has a statistically significant and partially favorable impact on audit quality. The more specialized an auditor is, the better they are at spotting errors, including errors in financial reports. Based on the description given above, the following is the study's hypothesis:

H3: Auditor's specialization affects on audit quality

Effect of Auditor's Reputation on Audit Quality

A client generally finds that an auditor affiliated with an international CAP is of higher quality and comes from a major CAP because the auditor has characteristics that can be associated with quality such as international recognition, training, as well as peer review (Creswell, 2012). A reputable CAP will explain the auditor's attitude towards independence in carrying out audit tasks.

According to the results of Effendi & Ulhaq (2021) research showed that KAP reputation effect audit quality and is projected with the tendency of auditors in giving audit opinion going concern. The study's results align with previous research Afifah, I. & Sopiany (2017), which found that auditor reputation has a significant impact on audit quality. Based on the description given above, the following is the study's hypothesis:

H4: Auditor's reputation affects on audit quality

Effect of Firm Size on Audit Quality

How to figure out the size of KAP is by counting the number of partners, auditors, clients, and revenue (Wulandari & Irwanto, 2020). According to Rinanda & Nurbaiti (2018) based on the number of audit partners, KAP's in Indonesia are divided into three categories, namely large KAP's that have more than 10 partners, medium KAP's which have 6-10 partners, and for small KAP's having fewer than 6 partners. Small KAP's are rated 1, medium KAP's 2 and large KAP's 3. The relationship among the KAP and audit quality can be viewed from two different angles: the perspective of economic dependence and the perspective of quality consistency (Rinanda & Nurbaiti 2018).

DeAngelo (1981) show that the scale of the Public Accounting Office impact the quality of audits. Thus, larger KAP's are assessed to have better audit quality. The firm size can demonstrate the ability of auditors to behave independently and conduct audits professionally, because large KAP's do not rely too much or less economically on auditing. The number of partners, auditors, clients, and income can be used to determine the scale of KAP's. According to the results of the Hartono & Laksito (2022) claimed that there is a statistically significant positive correlation among the firm size and the bound variable of Audit Quality. The study's findings are consistent with the Wulandari & Irwanto (2020), which claims that the KAP size significantly improves audit quality. According to the description given above, the following is the study's hypothesis:

H5: Firm size affects on audit quality

Research Methods

Population and Samples

The survey's data are quantitative data based on secondary data pulled from financial reporting documents on the www.idx.co.id website. Manufacturing companies that filed financial reports and were listed on the Indonesian Stock Exchange (BEI) between 2018 and 2021 comprise the study's population. The total population of the research was 193 companies. Purposive samplings, which are samples that are specifically taken and chosen based on predetermined requirements, are the sampling technique employed in this study. The total sample of the study was 168 companies. The sample is obtained from the selection of criteria described in [Table 1](#):

Table 1. Research Sampling Criteria

No	Criteria	Amount
1	Manufacturing firms that were listed on the Stock Exchange of Indonesia during the period under observation 2018-2021	193
2	Manufacturing firms that do not publish annual reports consistently and completely during the 2018-2021 period	(41)
3	Companies that do not make consecutive profits in the 2018-2021 period	(74)
4	Companies that do not have a professional fee account in their financial reports for the 2018-2021 period	(36)
	Research sample	42
	Total sample research (42 x 4 years)	168

Variable Measurement

Table 2. Variable Measurement

Variable	Indicator	Source
Quality Audit	Dummy 1 = unqualified opinion 0 = qualified opinion	(Andriani et al., 2018)
Audit Tenure	Audit Tenure = \sum Alliance of the public accounting firm with the company	(Effendi & Ulhaq, 2021)
Audit Fee	Audit Fee = Ln Professional Fee	(Jaiman et al., 2022)
Specialization Auditors	Dummy 1 = specialist auditor 0 = non-specialist auditor	(Ade Irma et al., 2020)
Reputation Auditors	Dummy 1 = KAP <i>Big Four</i> 0 = KAP non <i>Big Four</i>	(Effendi & Ulhaq, 2021)
Firm Size	1 = a small KAP (fewer than 6 partners) 2 = a medium KAP (6-10 partners) 3 = a large KAP (more than 10 partners)	(Rinanda & Nurbaiti, 2018)

Hypothesis Testing

Because the study's bound variables are dummy, logistic regression analysis techniques are used for hypothesis testing. The bound variable is the quality of the audit. However, its independent variables are audit tenure, fee audit, audit specialization, auditor reputation, and size of KAP. The following describes the logistic regression model applied in this study:

$$KA = \alpha + \beta 1Tenure + \beta 2Fee + \beta 3Specialization + \beta 4Reputation + \beta 5FirmSize + e$$

Description:

KA	= Quality Audits
α	= Constant
$\beta 1 - \beta 5$	= Regression coefficient
Tenure	= Audit Tenure
Fee	= Audit Fee
Specialization	= Specialization Auditors
Reputation	= Reputation Auditors

Firm Size = Firm Size
 e = Error

Results and Discussion

Descriptive Analysis

Descriptive statistical analysis seeks to create a detailed overview of the variables by utilizing measures such as the minimum, maximum, mean, and standard deviation of the variables under examination. An overview of the effect of audit tenure, audit fees, audit specialization, audit reputation, and KAP size on audit quality using SPSS 27 is provided by this test. The descriptive analysis's findings are displayed in [Table 3](#) below:

Table 3. Descriptive Statistical Analysis

Variable	N	Minimum	Maksimum	Mean	Std. Deviation
Quality Audit	168	0	1	0,80	0.403
Audit Tenure	168	1	4	2.31	1.116
Audit Fee	168	141800000	560027315992	40028922739.51	82725476057.951
Specialization Auditors	168	0	1	0.27	0.447
Reputation Auditors	168	0	1	0.45	0.499
Firm Size	168	1	3	2.74	0.638

Source: SPSS Output, 2023

The minimum audit quality value is 0, which means that the company did not obtain an unqualified opinion in its financial statements, while the maximum audit quality value is 1, which means that the company obtained an unqualified opinion in the report. meaning that there are 80% of companies that have an unqualified opinion in their financial statements. The standard deviation is 0.403, which means that the level of distribution of audit quality variable data is 0.403.

The minimum audit tenure value is 1, which means that the company has the lowest audit tenure value, while the maximum audit tenure value is 4, which means that the company has the highest value among the sample companies. The average audit tenure score in the 2018-2021 period was 2.31. From this average value, it can be interpreted that the average audit engagement period for sample companies is 2.31 or 2 years. The standard deviation is 1.116, which is smaller than the average value.

The minimum audit fee value is IDR 141,800,000, which means that the company has the lowest audit fee among the sample companies, while the maximum audit fee value is IDR 560,027,315,992, which means that the company has the highest audit fee among the sample companies. The average value of audit fees in the 2018-2021 period is IDR 40,028,922,739.51. The standard deviation of audit fees is IDR 82,725,476,057.951.

The minimum auditor specialization value is 0, which means that the auditor is not a specialist. Meanwhile, the maximum value of auditor specialization is 1, which means that the auditor has specialization. The average value of auditor specialization is 0.27, It suggests that there are 27% of companies that use specialist auditors. The standard deviation value of auditor specialization is 0.447. This shows that the level of data distribution is 44.7%. The auditor specialization variable data is heterogeneous if the average value is less than the standard deviation.

The minimum auditor reputation value is 0, which means that the auditor was audited by a non-Big Four KAP. Meanwhile, the maximum auditor reputation value is 1, which means that the auditor was audited by the Big Four KAP. The average auditor reputation value is 0.45, which indicates that there are 45% of companies that use the Big Four KAP. The standard deviation value of auditor reputation is 0.499. This shows that the level of data distribution is 49.9%. An average value that is smaller than the standard deviation means that the auditor reputation variable data is heterogeneous in nature.

The minimum value of Firm size is 1, while the maximum value of Firm size is 3. The average value of the KAP size variable is 2.74. This average is greater than the standard deviation of 0.638. This shows that the KAP size data for 2018-2021 is clustered.

Logistic Regression Analysis

Feasibility Model Test

Hosmer and Lemeshow's Goodness of Fit Test

The first step is to evaluate the regression model's viability. If a model fits the observation data, that is, when the Hosmer and Lemeshow goodness of fit test value is greater than 0.05, then the model is considered to be capable of estimating observation values.

Table 4. Research Sampling Criteria

Step	Chi-square	Df	Sig.
Four	9.136	8	.331

Source: SPSS Output, 2023

Based on the table above, the Hosmer and Lameshow goodness of fit test statistical value is 9.136 with a significance probability of 0.331 which is > 0.05 . The regression model can be used in the subsequent analysis because the results of the analysis discussed above show that there isn't a discernible difference between the observed classification and the predicted classification.

Overall Model Fit Test

The second step is to evaluate the entire regression model. The initial value at -2 Log Likelihood Block Number = 0 is 170.159 while the value for -2 Log Likelihood Block Number = 1 is 151.579.

Table 5. Overall Model Fit Test

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	170.159	1.190
	2	169.240	1.363
	3	169.238	1.371
	4	169.238	1.371

Source: SPSS Output, 2023

Table 6. Overall Model Fit Test

Iteration		-2 Log likelihood	Coefficients Constant
Step 1	1	151.579	-.883
	2	145.324	-1.376
	3	144.810	-1.524
	4	144.803	-1.537

Source: SPSS Output, 2023

From the overall model fit test at -2 Log Likelihood Block Number = 0 to -2 Log Likelihood Block Number = 1, it shows that there is a decrease, which means that the model used as a hypothesis is fit to the data.

Nagelkerke R2

Third-step Nagelkerke R square ensures that the value varies between 0 and 1 by dividing the Cox and Snell's R2 values by their maximum value. The R2 value in multiple regression can be used to translate the Nagel Kerke R2 value. The Nagelkerke value results are shown in the table below:

Table 7. Nagelkerke R Square

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	144.803 ^a	.135	.213

Source: SPSS Output, 2023

According to the table above, the independent variable's variability accounts for only 21.3% of the dependent variable's variability, leaving the remaining 78.7% to be explained by other variables that are not used. This implies that the Nagelkerke R Square value stands at 0.213.

Model Classification Matrix

Using observational data, classification matrix tests are used to give a summary of the predictions made by logistic regression models. Every case would be on the diagonal and there would be 100% prediction accuracy in an ideal model.

Table 8. Classification Table

Observed	Predicted		Percentage Correct
	Audit Quality		
	0	1	
Audit Quality	0	6	28
	1	2	132
Overall Percentage			

Source: SPSS Output, 2023

According to the table presented, it is evident that the logistic regression model utilized has shown a effectiveness high level of performance by accurately predicting 82.1 percent of the observed conditions.

Logistic Regression Analysis Model and Hypothesis Testing

Using observational data, classification matrix tests are used to give a summary of the predictions made by logistic regression models. Every case would be on the diagonal and there would be 100% prediction accuracy in an ideal model.

Table 9. Descriptive Statistical Analysis

Variable	B	S.E.	Wald	Df	Sig.	Description
Audit Tenure	.643	.212	9.180	1	.002	Significant
Audit Fee	4.5E-12	3.6E-12	1.606	1	.205	No Significant
Specialization Auditors	1.627	.776	4.390	1	.036	Significant
Reputation Auditors	-.170	.539	.099	1	.753	No Significant
Firm Size	.438	.283	2.396	1	.122	No Significant

Source: SPSS Output, 2023

Discussion

The Effect of Audit Tenure on Audit Quality

The significance of the audit tenure variable's regression coefficient was examined in order to test the first hypothesis. In this research, the first hypothesis suggests that Audit Tenure affect Audit Quality. The audit tenure variable has a regression coefficient value of 0.643 with a significance of 0.002. Thus, the audit tenure variable has a positive effect on audit quality because $0.002 < 0.05$. So the hypothesis which states that audit tenure has an effect on audit quality is accepted. H1 is accepted because it is consistent with the analysis's findings that the length of an audit has an effect on its quality.

Audit tenure, which initially became a polemic when the audit tenure was short or long-term tenure, has now been proven that long tenure can have an impact on the auditor's performance at the client company, such as independence, meaning that if there has been a previous engagement between the auditor and the client, the auditor will find it easier to understand and present Recording carried out by clients can help the audit process to improve audit quality.

In this way, the length of the audit can enhance the auditor's performance throughout the audit process, helping to prevent fraud and produce high-quality audit results. The length of the audit engagement can also help the auditor better understand the business, which will result in a more effective design of the audit program. As a result, it is appropriate to use the audit's duration as a guide when creating a high-quality audit. The study's findings are comparable to those from ([Hartono & Laksito, 2022](#)), ([S. P. Sari et al., 2019](#)), ([Jaiman et al., 2022](#)), ([Buchori & Budiantoro, 2019](#)), and ([Wicaksono & Purwanto, 2021](#)). This research states that the longer the audit tenure causes the audit quality to decrease.

The Effect of Audit Fees on Audit Quality

By examining the significance of the audit fee variable's regression coefficient, the second hypothesis was put to the test. In this research, the second hypothesis suggests that audit fees affect audit quality. The audit fee variable has a regression coefficient value of 0.000 with a significance of 0.205. Thus, the audit fee variable has no effect on audit quality because $0.205 > 0.05$. So the hypothesis which states that audit fee has an effect on audit quality is rejected. H2 is rejected because

this is inconsistent with the analysis's findings, which indicate that audit fees have no effect on audit quality. Because audit fees cannot predict whether an audit will be of good or bad quality, they have no effect on the quality of the audit.

The size of the audit fee does not always indicate whether the audit obtained will be of high or low quality. This may be due to the auditor's continued independence, despite the size of the audit fee. Therefore, it is inappropriate to use audit fees as a benchmark for determining whether an audit is of good or bad quality. The findings of this study concur with those of earlier studies done by ([Putri, 2018](#)), ([S. P. Sari et al., 2019](#)), ([Jaiman et al., 2022](#)), ([Hartono & Laksito, 2022](#)) and ([Suwarno & Bely, 2018](#)).

The Effect of Auditor Specialization on Audit Quality

By examining the significance of the regression coefficient of the auditor specialization variable, the third hypothesis was investigated. In this study, the third hypothesis suggests that auditor specialization affect audit quality. The auditor specialization variable has a regression coefficient value of 1.627 with a significance of 0.036. Thus, the auditor specialization variable effect audit quality because $0.036 < 0.05$. So the hypothesis which states that auditor specialization has an effect on audit quality (H3) is accepted.

This indicates that specialized auditors have a better comprehension and knowledge of customer characteristics than non-specialist auditors. Furthermore, financial accounts are more likely to have flaws and inconsistencies that specialized auditors will notice. Consequently, businesses might be able to provide a higher profit margin.

In this way, specialized auditors have a high probability of detecting errors and irregularities in financial reports because with the experience they have, specialized auditors are considered to have better abilities and be quicker in detecting errors in audited financial reports. So auditor specialization is one of the appropriate references in terms of producing good audit quality. The results of this research are in line or equivalent to research ([S. P. Sari et al., 2019](#)), ([Hartono & Laksito, 2022](#)), ([Buchori & Budiantoro, 2019](#)), ([Oktavia & Challen, 2022](#)) and ([Rinanda & Nurbaiti, 2018](#)).

The Effect of Auditor Reputation on Audit Quality

The significance of the regression coefficient of the auditor reputation variable is used to test the fourth hypothesis. In this study, the fourth hypothesis suggests that the auditor's reputation affect audit quality. The auditor reputation variable has a regression coefficient value of -0.170 with a significance of 0.753. Thus, the auditor reputation variable has no effect on audit quality because $0.753 > 0.05$. So the hypothesis which states that the auditor's reputation has an effect on audit quality (H4) is rejected.

This means that auditors who are affiliated or not affiliated with the Big Four KAP make no difference in audit quality. Auditors will conduct audit procedures based on predetermined criteria, regardless of their affiliation with the Big Four. The quality of an audit produced by an auditor connected to the Big Four is not always higher than that of an auditor not connected to the Big Four. In order to preserve his reputation, the auditor will also perform the audit process competently.

According to Suwarno & Bely (2018), investors will place greater trust in accounting data generated by reputable auditors. Therefore, even if the fees charged by the Big Four accounting firms are higher than those of the Big Four accounting firms, it is unlikely that a company will change auditors if it currently uses a reputable accounting firm. There are no accountants among the Big Four. Better audit quality is produced by larger accounting firms because they are able to conduct larger audits than smaller auditors. The findings of this study corroborate or are comparable to those of the study conducted by ([Suwarno & Bely, 2018](#)), ([Ade Irma et al., 2020](#)), ([Rizaldi et al., 2022](#)), ([Andriani et al., 2018](#)) and ([Zulfikar & Waharini, 2019](#)).

The Effect of Firm Size on Audit Quality

The significance of the Firm size variable's regression coefficient was examined in order to test the fifth hypothesis. In this research, the fifth hypothesis suggests that Firm size affect audit quality. The Firm size variable has a regression coefficient value of 0.438 with a significance of 0.122. Thus, the Firm size variable has no effect on audit quality because $0.122 > 0.05$. So the hypothesis which states that Firm size has an effect on audit quality (H5) is rejected.

Company size as proxied by KAP size based on the number of fellow auditors cannot determine audit quality. A large number of fellow auditors cannot guarantee that it will produce better audit quality compared to one with a few fellow auditors. This is because to obtain good audit quality, competent and independent auditors are also needed, so they can detect if there are material misstatements.

The results of this study are consistent or equivalent to the research results ([Teng, et al., 2023](#)), ([Vidhiyanty et al., 2022](#)), ([Jaiman et al., 2022](#)), ([Zulfikar & Waharini, 2019](#)) and ([Wicaksono & Purwanto, 2021](#)). The number of fellow auditors cannot determine whether audit quality is good or bad, the more fellow auditors cannot guarantee good audit quality. Likewise, a small number of fellow auditors does not always result in poor audit quality.

Conclusion

The objective of this study is to investigate the impact of Audit Tenure, Audit Fee, Auditor Specialization, Auditor Reputation, and Public Accounting Firm Size on Audit Quality in the financial reports of manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2021. Based on the conducted tests, the following conclusions can be drawn:

The Audit Tenure variable has a significant effect on audit quality, thus accepting H1. This implies that a longer tenure or engagement in an audit enhances the auditor's capability in the audit process, resulting in more effective audit program design and better audit quality. The research indicates that the Audit Fee variable does not affect Audit Quality, rejecting H2. Therefore, audit fees do not guarantee good or bad audit quality, suggesting that audit fee levels do not impact the quality of audits conducted by auditors.

The Auditor Specialization variable significantly affects Audit Quality, accepting H3. Specialized Public Accounting Firms (KAPs) can enhance audit quality as they are perceived to be more experienced and knowledgeable compared to non-specialized KAPs. The research findings show that the Auditor Reputation variable does not affect Audit Quality, rejecting H4. This suggests that high-quality audits are not exclusively conducted by accounting firms affiliated with the Big Four KAPs. Auditors, regardless of their affiliation, possess similar qualities in maintaining public trust. The Firm Size variable does not affect audit quality, rejecting H5. This indicates that the size of the Public Accounting Firm, based on the number of partners, is not indicative of the audit quality, as the selection of auditor services is influenced by company-specific conditions.

Several limitations are identified in this study. Firstly, the research focuses solely on manufacturing companies listed between 2018 and 2021 on the Indonesia Stock Exchange, limiting the generalizability of the findings. Secondly, the study only considers two variables that affect audit quality. Thirdly, the limited variables utilized in this research, such as audit duration and audit fees, are restricted to measuring professional fees and audit quality based on auditor opinions regarding the integrity of financial reports.

The findings of this study lead to the following recommendations for further investigation: expanding the research sample by including other industries and extending the study period to enhance the applicability of research findings. Additionally, future research should consider incorporating other independent variables such as audit committee effectiveness, company size, and audit rotation to provide a more comprehensive understanding of audit quality determinants..

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