



Article

IMPACT OF AUDIT TENURE, FEE AND AUDITOR SPECIALIZATION ON AUDIT QUALITY : STUDY OF INDONESIAN MANUFACTURING FIRMS

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ABSTRACT

Problems related to low audit quality are significant problems and require careful consideration, because they can hinder the preparation of accurate audit reports. This concern is not only limited to Public Accounting Firms but also extends to Public Accounting Firms that have high credibility, such as the Big Four. Several examples of low audit quality within the Big Four were highlighted in recent announcements by the PCAOB (Public Company Accounting Oversight Board) in 2016 and 2017, which resulted in sanctions against several of these companies. This situation requires research to assess the impact of auditor specialization, audit tenure and audit fees on audit quality in manufacturing companies audited by the Big Four Public Accounting Firms. This research used purposive sampling to obtain a total sample of 172 companies. The data analysis technique used in this research is multiple regression analysis using SPSS 23. The research results show that audit tenure, audit fees and auditor specialization influence audit quality.

KEYWORDS :

audit tenure, audit fee,
auditor specialization,
audit quality

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INTRODUCTION

An audit is a systematic procedure used to objectively collect and evaluate evidence regarding statements relating to economic activities and events. The aim is to assess the extent to which these statements comply with established standards, and the results of this audit are then conveyed to interested parties. Audit time budget, or what is often referred to as audit tenure, is an estimate or estimation of the time allocated to carry out audit tasks in an audit project.

Usually, public accounting firms (KAP) plan in detail how long each stage of the audit will take. Audit tenure refers to the period of time when an auditor from a KAP is involved in the same audit (Nahdiatul, 2018). The engagement period between an auditor from a KAP and the same audit project is often the subject of debate. One of the dilemmas that companies often face is whether they should replace the auditor of a KAP after a certain period of time or maintain a long-term relationship with the same KAP. This decision is important because the long term of the engagement may result in findings or conflicts that need to be considered carefully. According to Kurniasih (2014), long audit tenure can produce an emotional relationship between the auditor and the client, which can reduce the auditor's independence. In this view, risks to audit integrity increase because auditors may become too close to their clients.

However, a different view is presented by Nugrahanti (2014). He believes that the length of service of the auditor and client can improve audit quality. This is due to the fact that auditors who work for a long time with clients become more familiar with the company's conditions, facilitating the audit process, and allowing auditors to more easily detect and report relevant information in independent audit reports.

Apart from that, another phenomenon that can have an impact on audit quality is the cooperation contract which involves determining the amount of the audit fee between the auditor and the client. Research has shown that when auditors negotiate with company management regarding the amount of audit fees as a result of audit work, concessions often occur that can reduce the quality of the audit report. The quality

of the information contained in the financial reports produced by the auditor is very dependent on the quality of the auditor himself. One assumption in this context is that auditors who have higher quality will tend to set higher audit fees. This is because high-quality auditors are usually able to provide a deeper understanding of the private information held by the company owner, thus requiring more effort and involvement in the audit process.

Competition among Public Accounting Firms to produce quality audit results is increasingly fierce. Another factor considered in this research to examine the influence on audit quality is auditor specialization. Specialized auditors describe an auditor's level of expertise and experience in a particular industry area. This shows that specialized auditors are one element in the audit quality dimension, because the auditor's experience and ability in a particular industry is an important factor in assessing audit quality. The experience an auditor has in carrying out audits for similar companies or in the same industry gives the auditor a higher level of specialization. Specialized auditors have extensive previous audit experience in the same industry, which allows them to have a better understanding of the special conditions and characteristics of companies in that industry (Pramaswaradana, 2017). This can have a positive impact on the quality of the audits they produce.

Researchers decided to focus on manufacturing companies as the research population because manufacturing companies have a significant influence among other industries in Indonesia. The Ministry of Industry of the Republic of Indonesia has stated that the manufacturing sector continues to grow despite facing various negative factors such as rising gas prices, increasing basic electricity tariffs, increasing minimum wages for workers, infrastructure that is not yet fully reliable, and weakening exchange rates. The decision to choose manufacturing companies as research objects was based on the importance of this sector in the Indonesian economy and its broad impact. This research aims to better understand the factors that influence audit quality in the context of the manufacturing industry, which could provide valuable insights for companies in the sector.

This research has significant differences from previous research in several main aspects. First, the research variables used in this study have been expanded to include the audit fee variable as one of the factors that influence audit quality. This means that this research is more comprehensive in evaluating the factors that contribute to audit quality in its context. Second, this study covers a different period of years to conduct the analysis, which can produce more up-to-date and relevant results. This allows this research to capture changes and dynamics in audit practices and the business environment that may have occurred over different time periods. Third, this research uses the logistic regression analysis method as a tool to test hypotheses, while previous research conducted by Panjaitan (2014) used the multiple regression analysis method. This indicates the different analytical approaches used in this study, which may provide different insights into the relationships between the variables studied. All these differences can make a significant contribution to the understanding of audit quality and the factors that influence it in a broader context.

LITERATURE REVIEW

Agency Theory

Agency theory, also known as agency theory, is a concept that describes the relationship between the owner (principal) and management (agent) in an organization. In this context, there is a contractual agreement where the owner authorizes management to make business decisions on behalf of the owner. This theory was first put forward by Jensen & Meckling in 1976. However, this kind of relationship often creates conflicts of interest between owners and management. This conflict arises because owners have an interest in ensuring that management makes decisions that benefit the owners, while management may have an incentive to take actions that are more beneficial to themselves. This raises questions about the reliability of the financial information contained in the financial reports prepared by management. To resolve this conflict and ensure transparency and management compliance with the interests of the owner, the presence of an independent third party is required. This third party is an auditor

who has the responsibility to monitor and control the behavior of owners and management. Auditors are considered capable of being an intermediary between the two parties and ensuring that management performance is in accordance with the interests of the owner. Thus, agency theory highlights the importance of the auditor's role as a guardian of the integrity and credibility of financial information in the organization, as well as a mechanism for reducing conflicts of interest between principal and agent.

Audit Quality

Based on the Professional Standards for Public Accountants (SPAP), the quality of an audit can be measured by the extent to which the audit meets the auditing provisions or standards that have been determined. Auditing standards cover various important aspects in carrying out an audit that an auditor must comply with. Several key aspects in auditing standards include professional quality, auditor independence, the use of judgment in conducting audits, and preparing audit reports.

Tenure Audit

According to Sanjaya (2017), the term "audit tenure" refers to the period of time during which a Public Accounting Firm (KAP) has an agreement to provide audit services to a particular client. This period is usually agreed in advance and can vary from client to client. The concept of "audit tenure" is often the subject of debate, especially when the period of the audit engagement is relatively short compared to longer periods. When the audit tenure period is relatively short, this often raises concerns regarding auditor independence. Auditor independence refers to a mental attitude where an auditor must carry out his duties without being influenced by external parties, not being controlled by other parties, and not depending on other parties in carrying out his work. Independence also includes aspects of honesty in assessing existing facts as well as the ability to make objective and impartial judgments when formulating and expressing opinions.

Audit fee

Audit Fees, are fees determined based on a number of factors that

influence the audit process by a public accountant. The definition of audit fees quoted from Pramesti's research based on Agoes illustrates that the amount of audit fees is influenced by factors such as the level of risk in the assignment, the level of complexity of the services provided, the level of expertise required by the auditor, the fee structure of the Public Accounting Firm involved. , and other professional considerations. Determining the Audit Fee is usually carried out through a contractual agreement between the auditor and the client before the audit process begins. Another definition of Audit Fee explained by Kurniasih is the amount of fees or wages that must be paid to an auditor by the company to be audited (auditee) as compensation for carrying out the audit process. Determination of Audit Fees also follows the previously agreed contract between the auditor and auditee. This contract covers various factors, such as the time required to carry out the audit process, the type of services to be provided by the auditor, and the number of staff required to carry out the audit. The importance of determining the Audit Fee before starting the audit process is to ensure the creation of a clear and transparent agreement between the two parties, namely the auditor and auditee. This helps avoid disagreements or ambiguity regarding audit fees during the audit process. By having a clear agreement, the company to be audited and the auditor can have the same understanding about the fees that will be charged for the audit services that will be provided. Determining the appropriate audit fee also reflects the importance of assessing the level of risk, complexity and skill requirements required for the audit. Thus, setting audit fees that are fair and balanced can help create a good working relationship between auditors and clients, and ensure that audit fees reflect the value provided by auditors in carrying out their duties.

Specialist Auditor

The explanation given by Kusharyanti, as quoted in research by Panjaitan (2014), underlines the importance of auditor specialization in dealing with differences in industry characteristics that influence the audit process. Although the basic principles of auditing may remain the same, audits in various industries may encounter significant

differences in terms of the nature of the business, applicable accounting principles, accounting systems used, and applicable tax regulations. When an auditor deals with an industry that has unique characteristics such as manufacturing, having in-depth knowledge of the industry becomes a must. This in-depth knowledge will assist auditors in understanding business nuances, identifying potential risks that may arise, and understanding specific aspects relevant to the audit of manufacturing companies. In other words, an auditor who specializes in the manufacturing industry will be better able to identify and overcome challenges that may arise during the audit process. In this situation, auditor specialization becomes the key to conducting quality and effective audits in different industry environments. Auditors who have developed a deep understanding of a particular industry will be able to provide more accurate, relevant, and beneficial audit services to their clients. It also reflects the importance of developing relevant knowledge and understanding for auditors so they can support optimal audit quality across diverse industry sectors. Thus, auditor specialization is an important factor in ensuring the integrity and effectiveness of audits in diverse contexts.

METHODS

Data Types and Sources

The type of data used in this research is secondary data. The data source in this research is the financial reports of manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 to 2021. Data was obtained through the official BEI website, namely www.idx.co.id.

Types of Population and Research Samples

In this research, the population studied was manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021. Sampling was carried out using the purposive sampling method. The criteria for companies sampled in this research are:

1. Manufacturing companies listed on the Indonesian Stock Exchange continuously from 2019 to 2021.

2. Display complete financial reports from 2019-2021.
3. Include information and data availability that will be used for research.

Dependent Variable

In this study, the dependent variable is “audit quality of the company’s financial statements.” The dependent variable is the main variable that will be measured or analyzed to see the extent of the influence of the independent variable or other factors on the audit quality of the company’s financial statements. In other words, a dependent variable is a variable that you want to know how it changes in relation to other variables in your research. A quality audit is an audit that is able to identify material errors in financial reports and report them. Audit quality is the result of an auditor’s performance which can reveal inaccuracies in financial reports. In this research, audit quality is measured by referring to the size of the Public Accounting Firm (KAP). Companies often use the services of well-known and reputable KAPs to ensure the reliability of their financial reports. The better the quality of the audit carried out by the KAP, the higher the level of public and client trust in the services provided. According to research by Pramaswaradana (2017), Big Four KAPs are considered to have better audit quality than non-Big Four KAPs. Large KAPs such as the Big Four are expected to be able to maintain their reputation better. In this auditor scale, KAP size is described as a dummy variable, with a value of 1 given to companies audited by Big Four KAPs and a value of 0 given to companies audited by non-Big Four KAPs. This reflects the company’s preference to use KAP services which are considered to have higher audit quality.

Independent Variable

Tenure Audit

Audit tenure is measured by calculating the number of years the auditor has been engaged with clients as regulated in government regulations, namely PP 20/2015 in article 11 where the KAP can provide services to clients for a maximum of 5 (five) consecutive book closing years in accordance with the agreement between the auditors with the company. According to (Werastuti, 2013) in the explanation

regarding the measurement of audit tenure in this research is very clear. Audit tenure is measured using an interval scale based on the length of the relationship between the auditor from the Public Accounting Firm (KAP) and the company. To measure audit tenure, the research counted the number of years of engagement in which auditors from the same KAP carried out audit engagements for their clients. This measurement process is carried out by giving the number 1 for the first year the engagement begins and adding one number for each subsequent year.

Audit Tenure = Length of time the KAP audits a company (Number of Years)

Audit Fees

Audit fees are compensation received by an auditor as compensation for audit services performed on a company's financial statements. In the context of this research, audit fees are measured by referring to professional fees recorded in the financial reports of manufacturing companies listed on the Indonesia Stock Exchange (BEI). This research refers to a study conducted by Kurniasih, as mentioned in Nursiam's research (2017). The audit fee variable is measured using the natural logarithm of the data contained in the professional fees account. This approach can help in analyzing and understanding the compensation given to auditors in a more structured and measurable way, thereby allowing researchers to identify trends or patterns that may be related to audit fees in the context of manufacturing company financial reports on the IDX.

Auditor Specialization

The auditor's specialization variable in a particular industry seems to be an important element in this research. To calculate the value of the auditor specialization variable (AIS), measurements are made based on the percentage of companies in the industry that are audited by an audit partner.

$$\text{AIS} = \frac{\text{Number of KAP clients in industry}}{\text{Total number of issuers in the industry}} \times 100\%$$

The dummy variables mentioned previously are likely used

to separate auditors who meet specialization criteria (e.g., AIS \geq 15%) from those who do not. Thus, auditors who meet these criteria will have a dummy value of 1, while those who do not will have a dummy value of 0, to differentiate between specialist and non-specialist auditors.

Data Analysis Tools

Descriptive statistics

Descriptive statistics are used to provide an initial understanding of the characteristics of the data, which can be seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (distribution differences) (Ghozali, 2018) so that researchers or analysts can make initial conclusions about patterns or trends in the data.

Hypothesis Test

The Logistic Regression Model you describe will be used to test the hypothesis in your research. In this model, you have a dependent variable and an independent variable that is used to analyze the influence of these variables on audit quality. Below, I will try to give a general example of how you can formulate a Logistic Regression model in research:

$$\text{Audit Quality} = \alpha + \beta_1 \text{Tenure} + \beta_2 \text{LnFee} + \beta_3 \text{Spec} + e$$

Audit quality = Audit quality uses a dummy variable, audit quality resulting from Big Four KAPs has a value of 1, and non-Big Four KAPs has a value of 0.

α = constant

Tenure = The auditor's relationship with the client is measured in years.

LnFee = Natural logarithm of audit fees

Spec = Auditor specialization uses a dummy variable, 1 if the company is audited by a specialist auditor and 0 if it is not audited by a specialist auditor)

e = Residual error

Hosmer and Lemeshow's Goodness of Fit Test

Statement regarding Hosmer and Lemeshow's Goodness-of-fit Statistics is correct. Hosmer-Lemeshow Goodness-of-Fit is one of the tests used in Logistic Regression analysis to evaluate the extent to which the Logistic Regression model fits the observed data. The results of this test can help you decide whether the model has a good level of fit to the data or not. In this context, if the Hosmer and Lemeshow's Goodness-of-Fit statistical value has a p value greater than 0.05 (usually the commonly used significance level), then the null hypothesis cannot be rejected. This means that your Logistic Regression model fits the observed data well, and there is not enough evidence to suggest there is a significant difference between the results predicted by the model and the results observed in the data sample used.

Overall Fit Model

To assess the model as a whole (overall model fit) using statistics based on the likelihood function. The likelihood L of the model is the probability that the hypothesized model describes the input data. To test the null and alternative hypotheses, L is transformed to $-2\text{Log}L$. The $-2\text{Log}L$ statistic is sometimes called the χ^2 likelihood ratio statistic, where χ^2 is a distribution with $n-q$ degrees of freedom, q is the number of parameters. The $-2\text{Log}L$ statistic can also be used to determine if independent variables added to the model significantly improve model fit. The difference $-2\text{Log}L$ for the model with constants only and $-2\text{Log}L$ for the model with constants and independent variables is distributed as χ^2 with the fit data (the difference in the fit data of the two models) (Ghozali, 2018).

Coefficient of Determination (Nagelkerke R Square)

Nagelkerke R Square is one of the metrics used in Logistic Regression analysis to measure the extent to which independent variables are able to explain and influence the dependent variable in the Logistic Regression model. Nagelkerke R Square is a modification of the Cox and Snell's R^2 coefficients, and the purpose of this modification is to ensure that the R Square value is in the range between 0 (zero) to 1 (one), similar to the interpretation of R Square in linear regression analysis

(multiple regression).). The Nagelkerke R Square value ranges from 0 to 1 and indicates the proportion of variation in the dependent variable that can be explained by the independent variables in the Logistic Regression model. A higher Nagelkerke R Square value indicates that the Logistic Regression model is better at explaining variations in the dependent variable.

RESULT AND DISCUSSION

Data and Sample

The research data used in this research are the financial reports of manufacturing companies listed on the IDX for 2019-2021. The method used for sampling was purposive sampling. The total population in this research is 172 manufacturing companies and 116 manufacturing companies registered on the IDX can be used as research objects for 2019-2021, so the total research sample is 348.

Kriteria	Jumlah
Perusahaan Manufaktur yang terdaftar di BEI tahun 2019 - 2021	172
Perusahaan yang tidak melampirkan data dengan lengkap	(56)
Jumlah sampel pada perusahaan	116
Jumlah tahun yang diamati	3
Jumlah pengamatan yang dijadikan sampel penelitian	348

Descriptive Statistical Analysis

	Descriptive Statistics				Std. Deviation
	N	Minimum	Maximum	Mean	
Tenure Audit	348	1	8	3.85	2.024
Audit fee	348	17.7073 (Rp.49.000.000)	27.6050 (Rp.974.272.000.000)	21.891343 (Rp.3.215.000.000)	1.8612502
Spesialisasi Auditor	348	0	1	.60	.490

Kualitas Audit	348	0	1	.40	.490
Valid N (listwise)	348				

From the descriptive statistical tests above, it shows that the minimum audit quality value of 0 means it was audited by a non-Big Four KAP and the maximum audit quality value of 1 means it was audited by a Big Four KAP. The mean value is 0.40, which means 40% of the total 348 company financial reports were audited by the Big Four Public Accounting Firm. The standard deviation is 0.490, which indicates that the spread of data from the audit quality variable is 0.490. The minimum value of the audit tenure variable is 1, indicating that the length of the KAP's collaborative relationship with its clients is the shortest, namely 1 year, while the maximum value of audit tenure is 8, indicating that the length of the KAP's collaborative relationship with its clients is the longest, namely 8 years. The mean value of 3.85 indicates that each company is audited on average by the same Public Accounting Firm between 3 and 4 years in a row. The standard deviation is 2.024, which indicates that the spread of data from the audit tenure variable is 2.024. The mean value of the audit fee variable is 21.891343 with a maximum value of 27.6050 and a minimum value of 17.7073. The standard deviation is 1.8612502, which indicates that the spread of data from the audit fee variable is 1.8612502. The minimum value of the auditor specialization variable is 0, which means it is not audited by a specialist auditor, while the maximum value of the auditor specialization variable is 1, which means it is audited by a specialist auditor. The mean value of 0.60 indicates that 60% of the sample companies were audited by specialist auditors.

Hosmer and Lemeshow's Goodness of Fit Test

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	10.219	8	.250

Based on this test, the statistical value of Hosmer and

Lemeshow's Godness of Fit Test is 10.219 with a significance level of 0.250. The significance value is above 0.05 so it can be concluded that the model is accepted, which means there is no difference with the data so the model can be said to be fit.

Overall Fit Model

-2LogLikelihood	
-2 LogLikelihoodawal(BlockNumber=0)	467.426
-2 LogLikelihoodakhir(BlockNumber=1)	389.672

Table shows that the initial -2LL value is 467.426 and the final -2LL value is 389.672, which means that the addition of 3 independent variables to the logistic regression model improves the fit model and shows a better regression model. This is proven by a decrease in the initial -2LL of 467,426 to the final -2LL of 389,672.

Coefficient of Determination (Nagelkerke R Square)

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	389.672 ^a	.200	.271

Based on table, it shows that the Nagelkerke R Square value is 0.271, which means that the variability of audit tenure, audit fee and auditor specialization variables can explain the audit quality variable by 27.1% while the remaining 72.9% is explained by variables outside the research.

Logistic Regression Coefficient Test Results and Hypothesis Testing

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Tenure Audit	.192	.066	8.457	1	.004	1.212
	Audit fee	.456	.074	38.139	1	.000	1.577
	Spesialisasi Auditor	.986	.277	12.684	1	.000	2.680
	Constant	-11.819	1.705	48.024	1	.000	.000

The Influence of Audit Tenure on Audit Quality

Based on the research results in table, the Beta value of audit tenure is 0.192, which means that if the audit tenure value increases by one unit, the influence of audit tenure on audit quality will increase by 0.192 with other factors considered constant. For significant values smaller than $\alpha = 0.05$, that is 0.004. These results indicate that H1 is supported. Based on agency theory, the auditor acts as an independent party in dealing with problems of differences in interests between the agent and the principal.

In this research, it was found that audit tenure has a significant positive influence on audit quality. This means that the longer an auditor has served for a client, the more likely they are to have a better understanding and experience in designing effective and correct audit procedures. Factors such as a deep understanding of the client's business, transaction history, and risks associated with the client can contribute positively to the auditor's ability to perform an audit well.

The results of research conducted by (Santoso, 2019) state that the engagement period is associated with auditor independence which creates emotional closeness and this can disrupt audit quality. Research conducted by (Buchori, 2019) states that the longer a client's engagement with an auditor, the more familiar the auditor becomes with the client company and all its problems.

The Influence of Audit Fees on Audit Quality

Based on the research results in table, the Beta value of the audit fee is 0.456, which means that if the audit fee value increases by one unit, the influence of the audit fee on audit quality will increase by 0.456 with other factors considered constant. For significant values smaller than $\alpha = 0.05$, namely 0.000. These results indicate that H2 is supported. Audit fees are compensation received by auditors for services they have performed in auditing the company's financial statements.

The audit fee variable is measured using the natural logarithm of data on professional fees accounts. Providing large fees to auditors has been proven to make auditors more diligent and improve their performance in their duties, so that they can complete work according

to procedures and produce the best quality. A broad auditing scope will increase the accuracy of the resulting audit report. The breadth of the scope of the audit carried out by the auditor determines the amount of fee that will be given by the company. High audit fees are due to the estimated operational costs required to carry out the audit process and the complexity of the services provided in examining client companies, which has an impact on the quality of the audit that will be produced. Wider and deeper audit procedures for client companies so that possible fraud in client companies can be detected. Detection of errors and fraud reflects good audit quality. This research proves that audit fees have a significant effect on audit quality.

Referring to research (Syafnir, 2014) proves that audit fees have a fairly good relationship with audit quality and have a positive relationship. This condition illustrates that the higher the audit fee given by the client, the more extensive the audit procedures the auditor will carry out, the higher the resulting audit quality will be. (Kurniasih and Rohman, 2014) proves that audit fees have a significant effect on audit quality. Higher costs will improve audit quality, because the audit fees obtained in one year and the estimated operational costs required to carry out the audit process can improve audit quality.

The Influence of Auditor Specialization on Audit Quality

Based on the research results shown in table, the Beta value of audit tenure is 0.986, which means that if the value of auditor specialization increases by one unit, then the effect of auditor specialization on audit quality will increase by 0.986 with other factors considered constant. For significant values smaller than $\alpha = 0.05$, that is 0.00. These results show that H3 is supported.

The use of specialist auditors can have an impact on the level of audit quality. The impact of auditor specialization on audit quality shows that the more an auditor specializes in an industry, the higher his ability to understand and audit companies in that industry. Auditors who have a large number of clients in the same industry will have better knowledge of the company's internal controls, the business risks the company faces, and the audit risks that exist in the industry. An auditor's specialization in a particular industry gives them more

comprehensive abilities and knowledge compared to auditors who do not have specialization.

This is supported by research (Fitrianiet al, 2015) which states that auditor specialization has a positive influence on audit quality. And according to research conducted by (Buchoriet al, 2019) it is stated that the more expert an auditor is in an industry (specialization), the greater the auditor's ability to detect errors in financial reports. So that an assessment of the honesty of the client's financial reports will be able to improve the quality of the resulting audit.

CONCLUSIONS

In this research, we conducted an analysis of the impact of audit tenure, audit fees, and auditor specialization on manufacturing companies listed on the Indonesia Stock Exchange during the years 2019-2021. Our findings indicate that audit tenure has a positive influence on audit quality. This suggests that the longer an auditor serves, the better their understanding and experience in designing effective and accurate audit procedures. Similarly, we found that audit fees positively affect audit quality. This implies that providing higher fees to auditors has proven to motivate auditors to be more diligent and improve their performance in carrying out their tasks, ultimately resulting in the delivery of higher-quality audits. Auditor specialization also has a positive impact on audit quality. This indicates that an auditor's specialization reflects their expertise and experience in auditing within specific industry sectors. Specialized auditors are believed to be better at detecting financial reporting errors, enhancing their assessment of the honesty of financial statements, and thus contributing to higher-quality audits.

Our research makes both theoretical and practical contributions. For academics, we offer a model to comprehend the crucial factors that determine audit quality. The causal model we developed contributes to subsequent research on audit quality and its influencing factors. In terms of managerial implications, our research can assist professionals, particularly in the field of auditing. For Public Accounting Firms, it is expected that this research can provide insights into the relationship between audit fees, audit tenure, and auditor specialization with audit quality, enabling auditors to uphold

their independence. Additionally, this research is anticipated to provide supplementary information regarding the role of auditor specialization in producing high-quality audits. For regulators, we hope this research can offer additional references regarding the relationship between audit tenure, audit fees, and auditor specialization with audit quality, serving as a basis for future regulatory considerations. Lastly, for companies, this study can provide a better understanding to aid in the selection of auditors to enhance audit effectiveness concerning audit budgets and auditor performance in financial reporting.

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