ABSTRACT

This study aims to obtain empirical evidence on the factors that affect audit quality in companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020. The audit quality factors used in this study are audit fees, audit tenure, auditor industry specialization and audit firm size. Agency theory and contracting theory are used to explain the relationship between variables.

This study used the purposive sampling method. A total of 720 companies were selected in this study. The panel regression analysis with a random effect model was applied to test the hypotheses.

The results of this study show that audit fees and auditor industry specialization are negatively associated and significant with audit quality proxied by discretionary accruals, while audit tenure and audit firm size are positively associated and significant with audit quality. The implications of this study provide insight to regulators on the need to carefully review the factors that drive audit quality improvement and other users of financial statements to better understand the financial information presented by companies.

Keywords: Audit quality, audit fee, audit tenure, auditor industry specialization, audit firm size, agency theory, discretionary accruals

SEMARANG

FEB UNDIP