



## Audit Committee as A Moderating Variable: Factors Influencing Audit Quality in Financial Sector on the IDX

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### ABSTRACT

This study aims to determine the effect of audit quality, namely audit tenure, audit rotation, and audit fees on audit quality in financial sector companies listed on the Indonesia Stock Exchange. In addition, this study also aims to determine whether the audit committee can be used as a moderating variable in the model. The type of data used in this research is secondary data. The technique of determining the sample is using purposive sampling. The samples obtained in this study were 17 manufacturing companies listed on the IDX from 2017 to 2021. The data analysis technique used was panel data regression analysis and interaction test (moderating) which was carried out with the help of EVIEWS version 10 software. The results in this study indicate that partial tenure audits have a positive effect on audit quality and are not significant. Audit rotation has a negative effect on audit quality and not significant. Audit fees have a negative effect on audit quality and not significant. The audit committee is unable to moderate audit tenure, audit rotation, audit fees on audit quality. The audit committee is unable to moderate audit tenure, audit rotation, audit fees on audit quality.

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## INTRODUCTION

There are many companies listed on the IDX (Indonesian stock exchange) which are divided into several sectors and one of them is the financial sector. The financial sector is a financial service industry group that has been included in a go public company or has been listed on the Indonesia Stock Exchange. According to (Rahmah Muin, 2020) The financial sector is divided into several sub-sectors including the banking sub-sector, insurance sub-sector, financial institutions sub-sector, securities companies sub-sector and other sub-sectors. In a company management is given the responsibility to manage and report operational activities and financial position in the form of financial reports that can be used by interested parties, one of which is to shareholders. Given these conditions, there is often a conflict of interest between management and shareholders.

This requires the company to use an independent and competent third party to examine the financial statements. This role is held by public accountants who act as auditors and carry out the audit function on the financial statements prepared by the company's management. Audit services are a systematic process of obtaining and objectively evaluating evidence relating to assertions for economic actions and events to ascertain the degree of correspondence between these assertions and establishing criteria and communicating audit results to interested parties (Sagala, 2020).

Based on research indicators by (Damanik, 2013) in measuring audit quality as follows: a) Reporting all client errors, b) Understanding of client information systems, c) Strong commitment in completing audits, d) Guided by

auditing principles and accounting principles in carrying out work, e) Don't just believe to client statements, f) Being careful in making decisions.

The next factor that can affect audit quality is the audit fee. According (Simatupang, 2019) defines that the audit fee is the amount of fees provided by the company for the audit process to the auditor. In his research (Hery, 2020) found evidence that when the auditor negotiates with management regarding the amount of fees that must be paid by management for the results of audited report work, it is likely that reciprocal concessions will occur which will reduce the quality of audited reports. This action leads to actions that undermine professionalism and will reduce audit quality. Therefore, the determination of the audit fee needs to be agreed upon by the client and the auditor so that a tariff war does not occur which will undermine the credibility of the public accountant and the Public Accounting Firm (KAP).

Some researchers focus on how influential audit fees are on audit quality, such as research conducted by Sagala in 2020 and Simatupang in 2019. There is also a limited study related to audit rotation, namely the Novel study in 2021, while many other researchers whose results have no effect between audit rotation on audit quality. Therefore, this study intends to find out the gap that occurs between some of these variables. The purpose of this study is to analyze the effect of audit rotation, audit tenure, and audit fee on audit quality with the audit committee as a moderation variable in financial sector companies listed on the IDX.

## **LITERATURE REVIEWS**

### **Audit Quality**

According to (Janna Clarentia Johana Wowor & Rondonuwu, 2021) Audit quality is the probability of an auditor finding and reporting an error or fraud that occurs in a client's accounting system. While research (Wulan Nada Cahyati, Eko Hariyanto, Edi Joko Setyadi, 2021) says that quality is a component of professionalism that must be maintained by professional public accountants. Independent here means that the public accountant prioritizes the public interest above the interests of management or the interests of the auditor himself in making audited reports.

In research (Dewi, 2016) Audit quality is a characteristic or description of audit practices and results based on auditing standards and quality control standards which are a measure of the implementation of the duties and responsibilities of the auditor profession. Audit quality relates to how well a job is completed compared to predetermined criteria. Not only that, according to (Ardani, 2017) audit quality is a systematic and independent check to carry out activities, quality and results in accordance with planned arrangements. Audit quality is the probability that the auditor will not report an audit report with an unqualified opinion for financial statements that contain mental errors (Ulhaq, 2019).

The purpose of audit quality is to improve the results of audit performance in the client's financial reporting that will be used by users of audit reports with an attitude of independence in carrying out their duties and determining discrepancies in financial reports and reporting transparently along with the evidence obtained.

### **Audit Tenure**

(Arramadani, 2019) concluded that a long relationship between the auditor and its client has the potential to create a closeness between them that is sufficient to hinder the auditor's independence and reduce audit quality. Research conducted by (Sagala, 2020) concluded that a short tenure, when the auditor gets a new client, requires a long time for the auditor to understand the client and the client's business environment. A short relationship between the auditor and its client may have an impact on the auditor in obtaining information along with limited evidence. This can lead to potential misstatements that may not be detected by the auditor. On the other hand, a short tenure is expected to increase the auditor's competence to produce an optimal audit.

In this study, audit tenure is measured by calculating the number of years of engagement between the auditor and the audited entity (company), where the first year of engagement starts with the number 1 and subsequent years are added by one (Ardani, 2017).

### **Audit Rotation**

(Kurniasih, 2014) revealed that the audit rotation policy implemented in Indonesia is not effective, considering that the engagement period on audit quality at the beginning of the assignment, the auditor's level of independence is high, but the level of familiarity with the cases and clients faced is still low and with higher audit fees, causing audit failures during the engagement period. The length of the relationship between the client and the auditor can use the auditor's independence and accuracy to perform the audit task (Alfita et al., 2020).

Based on research, audit rotation means that companies need to change accounting firms and auditors so that fraud does not occur and auditors need to maintain their independence so that audit quality can be maximised. In this study, audit rotation is measured using dummy variables where the value is 1 if there is audit rotation and 0 if there is no audit rotation (Indaryuni et al., 2020).

### **Audit Fee**

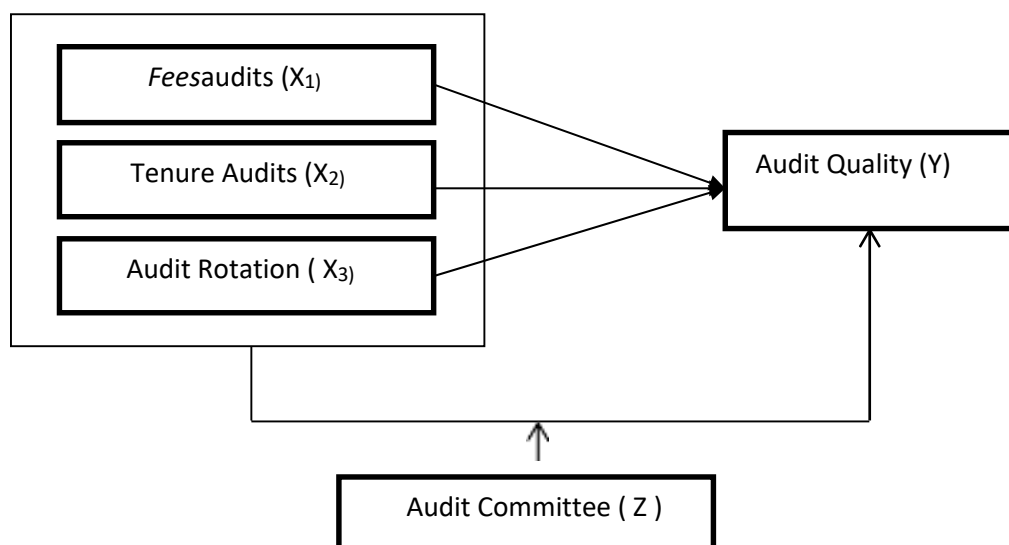


(Dewi, 2016) said that audit fees are fees received by auditors after performing audit services in the form of money. An auditor works to obtain a reward or wage in the form of an audit fee. In his research (Sagala, 2020), she found evidence that when auditors negotiate with management on the amount of fee rates that management has to pay for the work of the audited report, there is likely to be mutual concessions that reduce the quality of the audited report. This will lead to actions that override professionalism and will reduce audit quality. Therefore, the determination of the audit fee needs to be agreed between the client and the auditor so that there is no price war that damages the credibility of the auditor and the audit firm (KAP). In this study, the audit fee is measured using the natural logarithm of the data in the professional fee account (Ardani, 2017).

#### **Audit Committee**

(Ardani, 2017) The audit committee is a group that is independent or does not have any views on, among other things, accounting and other matters related to the company's internal control system. The Indonesian Audit Committee Association (2006) defines the audit committee as a committee that works professionally and independently, formed by the board of commissioners, and therefore its role is to support and strengthen the oversight function or financial reporting process, risk management, audit implementation and corporate governance implementation.

(Fahmi, 2015) The role of the audit committee is as follows: a. The members of the audit committee make recommendations for the appointment and dismissal of external auditors; b. Audit committee members review the auditor's appointment letter and the external auditor's audit fees; c. Review the external auditor's audit report and management letter; d. Overseeing the performance of the external auditor and ensuring that the auditor operates in accordance with professional standards; e. Evaluate the scope and operational planning of the company. In this study, the audit committee is measured by calculating the number of audit committee members who are considered capable of producing high quality audits (Pratiwi, 2017).



## **METHODS**

(Sugiyono, 2019) Data collection is seen from the data source, so data collection can use primary data and secondary data. The data used in this research is secondary data. Secondary data sources are sources that do not directly provide data to data collectors, for example through other people or through documents. In this study, data collection was carried out using literature and documentation methods.

The literature study method is a method in which data is collected through reading books, scientific journals and articles related to research. The documentation method is to collect existing and related documents, namely documents regarding research data consisting of financial statements of companies in the financial sector listed

on the Indonesia Stock Exchange (IDX) in 2017 – 2021. The data was obtained from the official website IDX [www.idx.co.id](http://www.idx.co.id).

In the Encyclopedia of Educational Evaluation (Tanzeh & Arikunto, 2020) it is written: "A population is a set (or collection) of all elements processing one or more attributes of interest." From various figures, according to (Sugiyono, 2017) population is all the elements/members of an area that is the target of research or is the whole object of research. The population in this study were all financial sector companies listed on the IDX, totaling 94 companies. The method used in determining the model is a purposive sampling method which has been carried out based on specific criteria. Purposive sampling (Khairizah et al., 2016) is a sample determination technique with special considerations so that it is suitable as a sample.

The sample criteria used in this study are: 1. Financial sector companies listed on the Indonesia Stock Exchange from 2017 to 2021; 2. Financial sector companies that submit complete financial reports from 2017 to 2021; 3. Financial sector companies that have annual reports. In this study, the number of samples obtained was 17 companies out of a total of 94 companies observed. In the table 1, there are list of Financial Sector Companies as Research Samples. Based on the criteria and time span of 5 years, the total sample obtained was 94 observations (17 financial sector companies for 5 years) in this study.

**Table 1.** List of Financial Sector Companies As Research Samples

NO	CODE	COMPANY NAME
1	BBCA	Bank Central Asia Tbk
2	BBKP	Bank Bukopin
3	BBNI	Bank Negara Indonesia (Persero) Tbk
4	BBRI	Bank Rakyat Indonesia (Persero) Tbk
5	BBTN	State Savings Bank (Persero) Tbk
6	BDMN	Bank Danamon Indonesia Tbk
7	BMRI	Bank Mandiri (Persero) Tbk
8	BNGA	Bank CIMB Niaga Tbk
9	BNLI	Bank Permata Tbk
10	BSIM	Bank Sinarmas Tbk
11	MEGA	Bank Mega Tbk
12	AMAG	Multi Artha Guna Insurance Tbk
13	LIFE	Sinarmas Life Insurance MSIG Tbk
14	ADMF	Adira Dinamika Multi Finance Tbk
15	BFIN	BFI Finance Indonesia Tbk
16	PANS	Panin Sekuritas Tbk
17	CASA	Capital Finance Indonesia Tbk

*Source: Results Processed by Researchers (2022)*

The data analysis method is a method used to process existing variables so as to produce a useful research result and obtain a conclusion (Wahid et al., 2020). Analysis of the data obtained in this study will use computer technology assistance, namely the Econometric Views (EViews) version 10 application program.

## RESULTS

### Descriptive Statistics

Descriptive statistics is the first step before data analysis. The following are the results of the descriptive study that has been carried out:



Table 2. Test Descriptive statistical analysis

Descriptive Statistics					
Descriptive Statistics					
	N	Minimum	Maximum	Means	std. Deviation
Tenure Audits	85	1	5	2.36	1,271
Audit Rotation	85	0	1	.12	.324
Audit Fees	85	9.18	10.97	10.3570	.46316
Audit Quality	85	0	1	.47	.502
Audit Committee	85	1	5	3.07	1,033

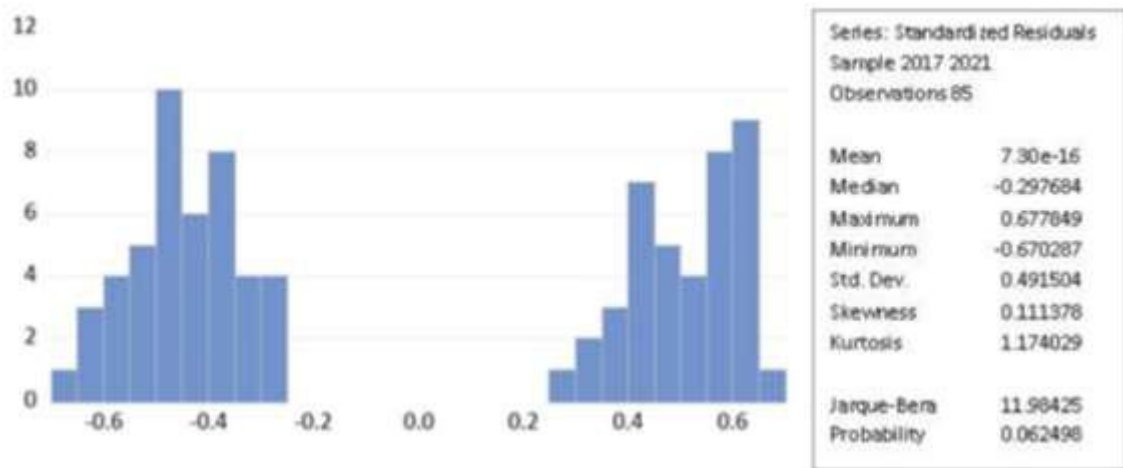
Source: Results Processed by Researchers (2022)

In the table 2, the minimum tenure audit value is 1, the maximum tenure audit value is 5, the average tenure audit is 2.36 with a standard deviation of 1.271. In the audit rotation variable, the minimum value is 0, while the maximum value is 1 with an average audit rotation of 0.12 with a standard deviation of 0.324. In the audit fee variable, the minimum value of the audit fee is 9.18 while the maximum value of the audit fee is 10.97 with an average audit fee of 10.3570 with a standard deviation of 0.46316. In the audit quality variable the minimum value of audit quality is 0 while the maximum value of audit quality is 1 with an average audit quality of 0.47 and a standard deviation of 0.502.

#### Normality Test

The residuals are said to be normally distributed if it has a probability above or equal to 0.05. The results of the normality test in this study, can be shown as follows:

Figure 1. Normality Test



Source: Data processed with Eviews 10, 2023

Based on Figure 1 above, it can be seen that the Jarque-Bera obtained in this study is equal to 11.98425 with probability 0.062498. Because the probability value is  $0.062498 > 0.05$ , it can be said that the residuals in this research model are normally distributed.

#### Multicollinearity Test

In the multicollinearity test, the variance inflation factor (VIF) is used in the E-views program. This test is to see and ensure that the variables contained in the regression equation used do not occur multicollinearity. If the VIF value that appears from the test is more than 10, it can be said that the independent variables have multicollinearity.

**Table 3. Multicollinearity Test**

Variable s	coefficient	Uncentered	Centered
	Variances	VIF	VIF
C	0.000204	15.53448	NA
X1	0.000614	0.912623	<b>1.097001</b>
X2	0.000117	0.922528	<b>1.084695</b>
X3	0.012851	0.976397	<b>1.024343</b>

*Source: Data processed with Eviews 10, 2023*

Based on the table 3, it can be seen that each of the independent variables used has a correlation coefficient below <10 or a tolerance value above 0.1 with details namely the size of audit tenure is 1.097001, audit rotation is 1.084695, and audit fee is 1.024343. Based on this, it can be concluded that there are no symptoms of multicollinearity and it is known that all VIF values < 10.

#### **Heteroscedasticity Test**

In this research, heteroscedasticity test will be carried out using the Glejser test using the help of the Eviews program. If the prob coefficient < 0.05 then there is a heteroscedasticity problem in the regression model.

**Table 4. Heteroscedasticity Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.587826	0.268118	2.192413	0.0312
TENURE	0.005900	0.009826	0.600461	0.5499
ROTASI	0.020304	0.038361	0.529269	0.5981
FEEADUTI	-0.012243	0.026010	-0.470712	0.6391

*Source: Data processed with Eviews 10, 2023*

Based on the table 4 above, the prob value for the audit tenure variable is 0.5499, the prob value for the audit rotation variable is 0.5981 and the prob value for the audit fee variable is 0.6391. Based on this, it can be concluded that there are no symptoms of heteroscedasticity because the significance value is > 0.05.

#### **Panel Data Regression Model Selection Results**

Panel data regression can be done by testing three analytical models, namely common, fixed, and random effects. Each model has its own advantages and disadvantages. The selection of the model depends on the assumptions used by the researcher and the fulfillment of the correct statistical data processing requirements, so that they can be statistically accounted for. Therefore, the first thing to do is to choose the right model from the three existing models.

#### **Chow Test**

The Chow test is used to determine the panel data analysis model to be used. The Chow test is used to choose between the Fixed Effect model or the Common Effect model which should be used.

Ho: Common Effect

Ha: Fixed Effects

If the results of this specification test show a Chi-Square probability > 0.05, then the Common Effect model is selected. Conversely, if the Chi-square probability < 0.05 then the model that should be used is the Fixed Effect. The following are the results of the model specification test in this study:



**Table 5. Chow Test**

Effect Test	Statistica	df	Prob.
Cross-section F	0.888393	(16.65)	0.0000
Chi-square cross-sections	16.810406	16	0.0000

*Source: Data processed with Eviews 10, 2023*

Based on the table 5 above it can be seen that the Chi-square crosssection probability value is  $0.0000 < 0.05$  so it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted. Thus, the model that should be used in research is the fixed effect model. Furthermore, because the selected model is a fixed effect, it is necessary to do the Hausman test to find out whether the fixed effect model or random effect model will be used in the study.

#### Hausman Test

Test Hausman is used to determine which model should be used, namely the Fixed Effect model or the Random Effect model. The Hausman Test Hypothesis is as follows:

$H_0$ : Random Effects

$H_a$ : Fixed Effects

If the results of this specification test show a random cross-section probability of more than 0.05, then the chosen model is Random Effect. Conversely, if the Chi-square probability is less than 0.05, the Fixed Effect model should be used. Hausman test results are as follows:

**Table 6. Hausman Test**

**Correlated Random Effects - Hausman Test**

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.189473	3	0.9793

*Source: Data processed with Eviews 10, 2023*

Based on the test results in the table 6 above, it can be seen that for testing the random effect and fixed effect models, the Chi-Square probability value is 0.9793 which is greater than 0.05 so that  $H_0$  is accepted and  $H_a$  is rejected. Thus, the model that should be used for this research is the random effect model.

#### Hypothesis Test (t-test)

The t-test aims to test the partial effect between the independent variable and the dependent variable, assuming that other variables are held constant, with an error rate ( $\alpha$ ) of 5%. The basis for the analysis of the t-test is as follows:

1. If the significance value  $> 0.05$ , then there is no partial effect between the independent variable on the dependent variable.
2. If the significance value  $< 0.05$  then there is an influence between the independent variable partially on the dependent variable.

**Table 7. Hypothesis Test (t-test)**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.022210	1.279418	1.580570	0.1179
TENURE	0.062898	0.045503	1.382260	0.1707
ROTASI	-0.017237	0.177974	-0.096850	0.9231
FEEADUTI	-0.163978	0.124150	-1.320808	0.1903



*Source: Data processed with Eviews 10, 2023*

Based on the results in the table 7 above, the results are obtained:

1. Partially tenure audit has a positive effect on audit quality with a regression coefficient of 0.062898 and not significant with a significant value of  $0.1707 > 0.05$ .
2. Partially, audit rotation has a negative effect on audit quality, with a regression coefficient of -0.017237 and not significant with a value of  $0.9231 > 0.05$ .
3. Partially, the audit fee has a negative effect on audit quality, with a regression coefficient of -0.163978 and not significant with a value of  $0.1903 > 0.05$ .

#### **Determination Coefficient Test**

The coefficient of determination is a value in the form of a percentage which can indicate the magnitude of the ability between the independent variables used in the regression equation of this study, to explain the effect on the dependent variable or the dependent variable.

**Table 8. Determination Coefficient Test**

Weighted Statistics			
Root MSE	0.485433	R-squared	0.041092
Mean dependent var	0.453208	Adjusted R-squared	0.005577
S.D. dependent var	0.498667	S.E. of regression	0.497274
Sum squared resid	20.02983	F-statistic	1.157029
Durbin-Watson stat	2.087749	Prob(F-statistic)	0.331344

*Source: Data processed with Eviews 10, 2023*

Based on the table 8 above, the value of the coefficient of determination or R-Square is 0.041092. Based on this, it can be interpreted that the independent variables consisting of audit tenure, audit rotation, audit fees and audit committees can affect audit quality, namely  $0.041092 \times 100\% = 4.1\%$ . This means that 4.1% of the factors that affect audit quality come from audit tenure, audit rotation, audit fees and audit committees while the remaining 95.9% comes from other factors.

#### **Moderation Test**

In this study, moderation testing was also carried out. The moderating variable is an independent variable that is used to test whether it can strengthen or weaken the relationship between one independent variable and another variable on the dependent variable. In this study it is used to test whether the audit committee moderates the effect of audit tenure, audit rotation, audit fees on audit quality.

**Table 9. Moderation Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.143315	3.885288	0.809030	0.4210
TENURE	-0.057992	0.154881	-0.374428	0.7091
ROTASI	0.536223	0.615108	0.871755	0.3861
FEEADUTI	-0.236178	0.376959	-0.626536	0.5328
KOMITE	-0.356155	1.223425	-0.291113	0.7717
TENUREKOMITE	0.039463	0.046745	0.844222	0.4012
FEEKOMITE	0.022550	0.118995	0.189507	0.8502
ROTASIKOMITE	-0.170744	0.183292	-0.931542	0.3545

*Source: Data processed with Eviews 10, 2023*





Based on the results of the moderation test in the table 9 above, it can be concluded:

1. The audit committee is unable to moderate the influence of audit tenure on audit quality, with a significant value =  $0.4012 > 0.05$ .
2. The audit committee is unable to moderate the effect of audit rotation on audit quality, with a significant value =  $0.3545 > 0.05$ .
3. The audit committee is unable to moderate the effect of the audit fee on audit quality, with a significant value =  $0.8502 > 0.05$ .

## DISCUSSION

### The Effect of Audit Tenure on Audit Quality

Audit tenure is the length or short tenure can be debated because tenure can have an impact on the performance of auditors and client companies such as the auditor's emotional relationship with clients, independence, and others. Short tenure when auditors get new clients takes a long time to get to know and understand clients and their clients' businesses (Ardani, 2019).

A short relationship between the auditor and his client, can have an impact on an auditor in obtaining information and limited evidence. Because this can cause potential misstatements that are not detected by auditors. However, a short *tenure* on the other hand is expected to improve the auditor's competence to produce an optimal audit. However, in this study, brief relationships in financial sector companies listed on the IDX have an influence on audit quality.

In 2008, updated by the Minister of Finance Regulation No. 17/PMK.01/2008 in article 2 it was said that the engagement period of the Public Accounting Firm (KAP) was for 6 consecutive years and for accountants. The public engagement period is still the same for 3 consecutive years (Asrida, 2021). This regulation is carried out to prevent fraud due to the closeness between auditors and clients.

This test has similarities with the journal Ardani (2017) where the test shows that audit tenure variables have a significant effect on audit quality. Longer audit tenure can improve the competence of auditors, who as auditors can base audit decisions on extensive knowledge of client companies that have developed over time. However, this is contrary to the journal testing conducted by Cahyati DKK (2021), the test results show that audit tenure has no effect on audit quality. This means that the length or shortness of the audit tenure between the auditor and the client does not guarantee quality audit results.

The insignificant research results are due to the fact that in 2020 Indonesia was hit by the *corona virus outbreak* where capital market movements will be greatly influenced by the performance of company management. When the PSBB occurred, many companies collapsed. So it can be seen, not only the company's financial aspects have been hit due to the Covid-19 pandemic, but also the *real* and fundamental aspects have also been affected. Because the supervision carried out may be less effective and efficient so that it will have an impact on falling stock prices and also company values.

### The Effect of Audit Rotation on Audit Quality

The audit rotation policy implemented in Indonesia has not been effective, considering the engagement period on audit quality at the beginning of the assignment the level of auditor independence is high, but the level of familiarity with the case and client faced is still low and with the higher audit costs, causing audit failure during the engagement period (Kurniasih, 2014). The length of the relationship between clients and auditors can use the independence and accuracy of auditors to carry out auditing tasks (Faizal, 2019).

With the Enron case involving the International Public Accounting Firm (KAP) Artur Enderson (AA), in Indonesia a mandatory regulation of changing auditors is carried out. Therefore, in order to prevent a special relationship between auditors and clients that will have an impact on decreasing audit quality, audit rotation is needed.

The results of this study are in line with research conducted by Cahyati et al (2021), the results of this study show that rotation negatively affects audit quality. This means that rotating audits does not guarantee quality audits. This is because the market does not care whether auditors who express audit opinions on the company's financial statements have ever rotated audits.

Audit rotation variables negatively affect audit quality due to auditor independence, large enough costs, long enough time for new KAP to learn the company's business flow, it can also be that the company is afraid of the disclosure of all existing fraud and the company has experience with other KAPs whose performance is not satisfactory and also the audit rotation applied by a KAP is not followed by rotation of all audit team members who work in the field or at clients Directly.

The results of the study have a negative and insignificant effect because in 2020 Indonesia was hit by the *corona virus outbreak* where capital market movements will be greatly influenced by the performance of company management. When the PSBB occurred, many companies collapsed. So it can be seen, not only the company's financial aspects have been hit due to the Covid-19 pandemic, but also the *real* and fundamental aspects have also been affected. Because the supervision carried out may be less effective and efficient so that it will have an impact on falling stock prices and also company values.

### **The Effect of Audit Fees on Audit Quality**

*Audit fee* is a form of remuneration that auditors provide to clients, the amount of member *fees* can vary depending on, among others: the risk of the assignment, the complexity of the services provided, the level of expertise needed to carry out these services (Adhiyani, 2018). The determination of audit *fees* is no less important in accepting assignments, because auditors will certainly work to obtain adequate income. When the auditor negotiates with management regarding the amount of *fee* to be paid by management on the results of the audit report, it is likely that reciprocal concessions will occur that will reduce the quality of the audited report. This action leads to actions that override professionalism and will reduce the quality of audits. Therefore, the determination of audit *fees* needs to be agreed upon by the client with the auditor so that there is no tariff war that will damage the credibility of public accountants and Public Accounting Firms (KAP).

The results of this study are in line with research conducted by Dewi (2021). The results of research conducted by Dewi (2021) show that audit *fee* variables have a significant effect on audit quality. High audit *fees* result in good audit quality, and vice versa. Good audit quality is created because the auditor's performance is needed to be more professional in auditing client financial statements. Professional auditors analyze the cost of what they do, the length of work, the location of the job, responsibility for the job, and so on.

The results of the study have a negative and insignificant effect because in 2020 Indonesia was hit by the *corona virus outbreak* where capital market movements will be greatly influenced by the performance of company management. When the PSBB occurred, many companies collapsed. So it can be seen, not only the company's financial aspects have been hit due to the Covid-19 pandemic, but also the *real* and fundamental aspects have also been affected. Because the supervision carried out may be less effective and efficient so that it will have an impact on falling stock prices and also company values.

### **Audit Committee Relationship in Moderating Audit Tenure on Audit Quality**

The audit committee can also be referred to as an extension of the Board of Commissioners, which is tasked with carrying out the supervisory function of the board of directors (*Manuputty*). The existence of the Audit Committee in Indonesia began in 2001 in accordance with the Circular Letter of the Capital Market Supervisory Agency (BAPEPAM) which has now changed to the Financial Services Authority (OJK) No: Kep-117 / M-MBU / 2002 which contains the duties of the audit committee in assisting the Board of Commissioners / Supervisory Board.

The results of this study show that the audit committee is unable to moderate the effect of audit tenure on audit quality with a significant value of  $0.4012 > 0.05$ . This is in line with research conducted by Ardani (2017). The results of Ardani (2017) research show that the audit committee does not moderate the relationship between audit tenure on audit quality or it can be said that audit committee variables do not strengthen or weaken the relationship between audit tenure and audit quality. So, this is not due to bad supervision from the audit committee, but the engagement period owned by the auditor, used in such a way as to study the business field of the client company.

### **Audit Committee Relationship in moderating Audit Rotation to Audit Quality**

The results of this study show that the audit committee is unable to moderate the effect of audit rotation on audit quality with a significant value of  $0.3545 > 0.05$ . This is in line with research conducted by Ardani(2017). The results of Ardani (2017) research show that the audit committee does not moderate the relationship between audit rotation and audit quality or it can be said that audit committee variables do not strengthen or weaken the relationship between audit rotation and audit quality. Although the audit committee has carried out its duties, namely overseeing the compliance of auditors and management with the Minister of Finance Regulation Number 17/PMK.01/2008. But in this study, the role of the audit committee does not affect audit rotation on audit quality, it is because auditors show independence that has been formed due to the quality of auditors who are indeed good.



### **Audit Committee Relationship in Moderating Audit Fee on Audit Quality**

The audit committee can also be referred to as an extension of the Board of Commissioners, which is tasked with carrying out the supervisory function of the board of directors (*Manuputty*). The existence of the Audit Committee in Indonesia began in 2001 in accordance with the Circular Letter of Badn Capital Market Supervisor (BAPEPAM) which has now changed to the Financial Services Authority (OJK) No: Kep-117 / M-MBU / 2002 which contains the duties of the audit committee in assisting the Board of Commissioners / Supervisory Board.

The results of this study show that the audit committee is unable to moderate the effect of *audit fees* on audit quality with a significant value of  $0.8502 > 0.05$ . This is in line with research conducted by Sagala (2020). The results of Sagala (2020) research show that the audit committee does not moderate the relationship between audit fees on audit quality or it can be said that audit committee variables do not strengthen or weaken the relationship between audit fees and audit quality. So, this is not because the audit committee does not carry out its duties, but the results of negotiations between management and auditors are indeed in accordance with the auditor's performance in auditing the company's financial statements.

### **CONCLUSION**

Based on the results of the study above, the conclusions of this study are: Audit tenure has a positive effect on audit quality in financial sector companies listed on the Indonesia Stock Exchange in 2017-2021. Audit rotation negatively affects audit quality in financial sector companies listed on the Indonesia Stock Exchange in 2017-2021. *Audit fees* negatively affect audit quality in financial sector companies listed on the Indonesia Stock Exchange in 2017-2021. The audit committee was unable to moderate the effect of audit tenure on audit quality in financial sector companies listed on the Indonesia Stock Exchange in 2017-2021. The audit committee was unable to moderate the effect of audit rotation on audit quality in financial sector companies listed on the Indonesia Stock Exchange in 2017-2021. The audit committee was unable to moderate the effect of audit fees on audit quality in financial sector companies listed on the Indonesia Stock Exchange in 2017-2021.

### **Research Limitations**

This study has some limitations that subsequent researchers can fix to get better results. The limitations in this study are: Researchers only examine a subset of variables that might affect audit quality, but there may be other variables that may significantly affect audit quality. The existence of other moderation variables, such as independent board of commissioners and profit management may reduce the limitations of the significance of audit committee moderation variables.

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