International Journal of Scientific and Academic Research (IJSAR) ISSN: 2583-0279
Volume 2, Issue 1, January – 2022
www.ijsar.net

The Effect of Financial Distress, Company Size, Asset Growth, Auditor Switching, Audit Tenure and Audit Fee on Audit Quality

(Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2019)

Cholifah Nur Cahyanti[1], Ambar Woro Hastuti[2], Sri Werdiningsih[3]

[1]Accounting Study Program, [2-3] Faculty of Economics and Business,

University of Merdeka Malang

Indonesia

ABSTRACT

This study aims to determine the effect of financial distress, company size, asset growth, auditor switching, audit tenure and audit fees on audit quality. This research is a quantitative research with a descriptive approach. The populations in this study are manufacturing companies listed on the Indonesia Stock Exchange during the 2015-219 periods. Sampling using purposive sampling technique and obtained a sample of 20 companies. The data used in this study are financial statements, auditor name data and auditor turnover. The data analysis method used logistic regression analysis. The results of this study show that financial distress and auditor switching have an effect on audit quality. While company size, asset growth, audit tenure and audit fees do not eaffect on audit quality.

Keywords:, Asset Growth, Auditor Switching, Audit Tenure, Audit Fee, Audit Quality, Company Size, Financial Distress.

1. INTRODUCTION

Auditors in carrying out their duties must be guided by audit standards, comply with the law and adhere to the professional code of ethics so that audit quality is maintained. The public accounting profession is trusted to provide an independent assessment of the information presented in the financial statements. However, in practice, there are still some mistakes made by auditors at several KAPs so that the integrity and objectivity of public accountants are starting to be doubted as a result of the rampant financial scandals that have occurred in several companies and involve auditors. From the cases that occur, it shows that there are still many cases that occur because the quality of the audit has not been maximized. Audit quality is influenced by internal and external factors. The quality of an audit process is very important to ensure that audited financial statements can be used as a basis for decision making and can be trusted by the public and other third parties (Sinaga, 2012). Financial distress experienced by the company in many cases makes the company commit fraud to manipulate its financial statements, this is where the challenge as an auditor is to be able to express an opinion about the actual condition of the company and the fairness of the company's financial statements. Company size can be expressed in terms of total assets, sales, and market capitalization. The greater the total assets, sales, and market capitalization, the larger the size of the company (Tarihoran and Budiono, 2016). The company's growth rate increases the company's growth, the more complex its operational activities so that the demand for auditor independence increases. The amendment to the audit rotation rule was implemented by Government Regulation No. 20 of 2015 which took effect on April 6, 2015. The new regulation states that companies that use the services of a public accounting firm do not need to replace their KAP, but the company has an obligation, namely that the public accountant is replaced after a maximum of 5 years of engagement. consecutive. Auditor Switching will affect audit quality because auditor switching will maintain the independence of the auditor. Audit Tenure is the period of engagement between the auditor/KAP and the client. In addition to the audit engagement period, Sarifah (2017) states that high audit fees result in good audit quality, and vice versa. To get quality audit results requires greater costs, because of the need for auditors to understand how the state of the company is by knowing all information related to the company. Thus, the quality of the audit that will be produced will be even better.

This research is a combination of previous research conducted by Hasbi (2017), Radona (2017), Mustari (2018), Erieska (2018) and Kusumastuti (2020) with the variables of Firm Size, Financial Distress, Asset Growth, Audit Tenure, Audit Fee and Auditor Switching. The difference between this research and previous research is in the research period and the object under study. Based on the description above, the formulation of the problem for this research is as follows:

DOI: 10.54756/IJSAR.2022.V.2.101

a. How does financial distress affect audit quality?

b. How does company size affect audit quality?

c. How does asset growth affect audit quality?

d. How does auditor switching affect audit quality?

e. How does audit tenure affect audit quality?

f. How does audit fee affect audit quality?

2. LITERATURE REVIEW

2.1. Audit

Audit or examination in a broad sense means an evaluation of an organization, system, process, or product. The audit is carried out by a competent, objective and impartial party, called the auditor. In general, the definition of audit is a systematic process carried out by competent and independent people by collecting and evaluating evidence and conformity with applicable accounting standards (IFRS/SAK/ETAP), as a basis for providing an opinion regarding the fairness of the company's financial statements.

2.2. Complience Theory

Compliance comes from the word obey. According to the Big Indonesian Dictionary, obedient means liking to obey orders, obeying orders or rules and being disciplined. Compliance means being obedient, obedient, submissive, obedient to the rules. Compliance theory has been studied in the social sciences, especially in the fields of psychology and sociology, which emphasizes the importance of the socialization process in influencing an individual's compliance behavior.

2.3. Pressure Theory of Obedience

Obedience pressure is a type of social influence pressure that is produced when an individual directs the behavior of another individual. The following is the understanding of obedience pressure put forward by Mangkunegara (2013: 29) stating that obedience pressure is as follows: "A condition of tension that creates a physical and psychological imbalance, which affects the emotions, thought processes and conditions of an employee, in this case The pressure is caused by the work environment where he works. Obedience pressure is one of the factors that affect audit quality. In obedience theory, it is explained that obedience pressure is the power possessed by an individual which is a source that can influence the behavior of others with the orders he gives. In other words,

2.4. Client Bargaining Power

Firm size determines bargaining power in financial contracts. Client's Bargaining Power talks about the company's power (management) in negotiating interests with auditors (Sumarwoto, 2006). Bargaining power is closely related to the issue of auditor independence. In a conflict situation, the client tries to get the auditor to agree to a report in his favor by imposing a penalty on the auditor if he refuses.

2.5. Audit Quality

Audit quality also depends on the ability of the audit system to detect and report material misstatements. Material misstatements can be divided into 3 categories, first, material misstatements in accounting estimates. Second, material misstatement due to non-compliance with established regulations. Third, material misstatement due to inappropriate application of accounting procedures. The importance of the auditor's duties requires them to carry out their duties seriously and remain independent to maintain their reputation and uphold the professional ethics of auditors (Salehi et al., 2017).”

2.6. Financial Distress

Sima and Badera (2018) Financial distress shows that the condition in which the company experiences unhealthy conditions or financial difficulties, so it is feared that it will go bankrupt. Companies experiencing financial difficulties are more likely to get a negative response from investors so that investors have less confidence in the company's profitability.

2.7. Company Size

Company size is the size of the company which can be classified based on various ways, including the size of income, total assets, and total equity. The definition of size and company is conceptualized as company size. Where the size of the company can

DOI: 10.54756/IJSAR.2022.V.2.101

be defined as the average sales results in the current period up to several years to come. The proceeds from this sale of course have been reduced by the amount of costs incurred each month in the current year period and the next few years.

2.8. Asset Growth

Asset growth describes the growth of company assets that will affect the profitability of the company who believes that the percentage change in total assets is a better indicator in measuring company growth (Putrakrisnanda, 2009 in Timtom and Gatri, 2016). The measure used is to calculate the proportion of increase or decrease in assets. In this study, the company's growth is measured by the proportion of changes in assets, to compare the increase or decrease in the total assets owned by the company.

2.9. Switching Auditor

Auditor switching is defined as a change of auditor or Public Accounting Firm (KAP) carried out by a company. Auditor switching or commonly known as auditor switching can also be interpreted as an attitude of the company or to transfer auditors for a certain period voluntarily (voluntary) or perhaps due to obligation (mandatory).

2.10. Tenure Audit

Audit Tenure is the period of audit engagement between KAP and client related to audit services that have been previously agreed upon, it can also be interpreted that Audit tenure is the length of the relationship between the auditor/KAP and their clients in performing audit work consecutively measured by the number of years. Another definition of audit tenure is the length of the auditor-client relationship as measured by the number of years. An auditor who has a fairly long assignment with a client company will encourage the creation of business knowledge so as to enable the auditor to design an effective audit program and high quality audited financial reports (Praptika and Rasmini, 2016).

2.11. Audit Fee

According to Agoes (2017: 73) audit fees are "The amount of member fees can vary depending on, among other things: assignment risk, complexity of services provided, level of expertise required to carry out these services, cost structure of the relevant KAP and other professional considerations."

2.12. Conceptual Framework and Research Hypotheses

In this study, the authors chose financial distress, company size, asset growth, auditor switching, audit tenure and audit fees as X variables, and audit quality as Y variables.

a. Effect of financial distress on audit quality

The company's financial condition describes the company's level of health and the continuity of the company's performance going forward. Through financial reports, users of financial statements can find out the financial condition of a company and can predict whether the company will survive in the future. Financial distress is one of the auditor's assessments in examining the company's financial statements, where the auditor's responsibility is to provide adequate information with high quality for decision making by users (Santosa and Wedari, 2007 in Elviona, 2017). The quality of this audit can be seen from the competence and level of independence of an auditor. So when viewed from the description of the two variables above where financial distress assessed from the company's financial statements is allegedly an act of fraud, because of the many cases that occur are companies experiencing financial distress but the published financial statements are good, this is where the role of the auditor is to provide an audit opinion on the auditee's financial statements by maintaining audit quality in order to provide information on the actual condition of the company so that the information submitted to the user is correct. for decision making. Based on this, the proposed hypothesis is: This is where the role of the auditor is to provide an audit opinion on the auditee's financial statements by maintaining audit quality in order to provide information on the actual condition of the company so that the information submitted to the user is appropriate for decision making. Based on this, the proposed hypothesis is: This is where the role of the auditor is to provide an audit opinion on the auditee's financial statements by maintaining audit quality in order to provide information on the actual condition of the company so that the information submitted to the user is appropriate for decision making. Based on this, the proposed hypothesis is:

H1: Financial Distress affects Audit Quality

b. Effect of company size on audit quality

Investors usually have more confidence in large companies, because large companies are considered capable of improving their company's performance. Paramita and Yenni (2015) said that large companies are considered to have good management and

DOI: 10.54756/IJSAR.2022.V.2.101

internal control systems so that higher quality audits can be produced in large companies compared to small companies. Good internal control will improve audit quality along with the ease with which auditors can obtain the information they need. Based on this, the proposed hypothesis is:

H2: Company Size has an effect on Audit Quality

c. Effect of asset growth on audit quality

Large-scale companies have complex company reports that require more competent auditors, resulting in quality audit reports. Positive growth of company assets can also increase the company's bargaining power against auditors, so to maintain audit quality as an auditor, you must have high integrity and independence along with compliance with professional standards and ethics. Based on this, the proposed hypothesis is:

H3 : Asset Growth Affects Audit Quality

d. Effect of auditor switching on audit quality

Auditor switching will affect audit quality because auditor switching will maintain the independence of the auditor. Auditor switching carried out by the company is expected to reduce the decline in audit quality, due to the length of the auditor engagement period (Muliawan and Sujana, 2017). But on the other hand, the change in auditors causes the loss of client specific knowledge, where the new auditor takes longer to understand the company's business, so that it can reduce audit quality. Siregar et al (2011) stated that there is a negative effect of audit rotation on audit quality. From a competency perspective, auditor turnover can lead to a decrease in audit quality. There is an insignificant effect of auditor switching on audit quality because a quality audit includes two dimensions, namely competence and independence. Independence has increased when auditor switching occurs so that this will improve audit quality. When auditor switching occurs, it will also cause auditor competence to decrease, resulting in a decrease in audit quality. Based on this, the proposed hypothesis is:

H4: Auditor Switching has an effect on Audit Quality

e. Effect of audit tenure on audit quality

The longer the relationship between the auditor and the client, it is feared that the independence of the auditor will decrease so that auditor rotation is needed to maintain the independence and competence of the auditor. The decrease in auditor independence occurs because of the long-standing engagement relationship between the auditor and the client. Auditor independence will affect the level of audit quality given. The level of audit quality can be measured from the audit opinion given. The longer the relationship between the auditor and the client, it is feared that the auditor will be lower in finding and preventing companies from manipulating profits and also in disclosing the company's incompetence (Kusumawati, 2013). This will affect the acceptance of the audit opinion on the company. However, those who are against the limitation of audit tenure state that audit quality will increase along with the length of audit tenure. An auditor will better understand the business characteristics of his client along with the increasing number of tenure audits carried out. Meanwhile, a short audit tenure is considered to reduce audit quality because an auditor does not yet fully understand the business characteristics of his client so it is likely that the resulting audit quality is low. However, Davis et.al (2003) in Tandiontong (2016) also shows a positive relationship between discretionary accruals and auditor tenure, concluding that audit quality decreases with longer auditor tenure. Casterella et al. (2002) in Tandiontong (2016) argues that audit failures are more likely to occur if the auditor's tenure is long and supports the opinion that the longer the tenure, the lower the audit quality. Based on this, the proposed hypothesis is:

H5: Audit Tenure has an effect on Audit Quality

f. Effect of audit fees on audit quality

Sarifah(2017) stated that high audit fees result in good audit quality, and vice versa. Yuniarti (2011) also conducted research on the effect of audit fees on audit quality and the results showed that there was an influence between audit fees and audit quality. To get quality audit results requires greater costs, because of the need for auditors to understand how the state of the company is by knowing all information related to the company. To find out this information requires a higher cost. With a high audit fee, it will also broaden and deepen the scope of the audit carried out by the auditor so that the auditor can find errors that may occur within the company. Thus, the quality of the audit that will be produced will be even better. Based on this, the proposed hypothesis is:

H6: Audit Fee has an effect on Audit Quality

DOI: 10.54756/IJSAR.2022.V.2.101

3. RESEARCH METHODS

3.1. Research Form

The type of research that will be used in this research is to use a quantitative method of research that describes the state and phenomena of an object accompanied by statistical data through sample data. The data used in this study is secondary data whose source comes from the annual report in the annual report on the Indonesia Stock Exchange. The place of research is carried out at the Indonesia Stock Exchange which provides information on the company's financial statements by accessing and downloading on the official website of the Indonesia Stock Exchange, namely www.idx.co.id. The research period is 2015-2019.

3.2. Population and Sample

The population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2014). The population in this study are companies that are members of the manufacturing sector listed on the Indonesia Stock Exchange (IDX) totaling 142 companies.

The number of samples that meet the criteria in this study are 93 companies of which 45 companies do not include professional fees and 28 companies do not report their annual financial statements on the Indonesia Stock Exchange. So the number of samples in this study for 5 years was 100.

3.3. Variable Definition and Measurement

a. Financial Distress (X1)

Financial distress is a company condition that is in a state of financial difficulty. The signs of companies experiencing financial distress can be seen from their financial statements. There are five types of financial ratios to see the difference between bankrupt and non-bankrupt companies. The bankruptcy model based on the results of his research using the Altman Z-Score as follows

$Z = 1.2\ X1 + 1.4\ X2 + 3.3\ X3 + 0.6\ X4 + 0.99\ X5$

Description:

X1 : Working Capital / Total Asset

X2 : Retained Earning / Total Asset

X3 : Earning Before Interest and Taxes / Total Asset

X4 : Market Capitalization / Book Value of Debt

X5 : Sales / total assets

The interpretation of the Altman Z-Score model assessment is:

1) Z-Score > 2.99 means the company is in good health and is not experiencing financial difficulties.
2) 1.81 < Z-Score < 2.99 means the company has the opportunity to go bankrupt but the chance to be saved and the chance to go bankrupt is the same, depending on the handling of the management in managing the company to overcome this.
3) Z-Score <1.81 means the company is not in a state of complicated financial difficulties and has a great chance of facing bankruptcy.

b. Company Size (X2)

Company size can be expressed in terms of total assets, sales, market capitalization, and others. The company size variable uses the natural log of total assets. Systematically it can be formulated as follows formula:

Company Size = Ln (Total Assets)

Ln : Natural Logarithm

c. Asset Growth (X3)

In this study, the company's growth is measured by the proportion of changes in assets, to compare the increase or decrease in

DOI: 10.54756/IJSAR.2022.V.2.101

the total assets owned by the company.

The company's asset growth variable is defined as the change in the company's annual growth rate of total assets.

$$\text{Asset Growth} = \frac{\text{asset asset t}-1}{\text{asset t}-1}$$

Description:

assets = Total Assets for the Year

assets t−1 = Previous Year's Total Assets

d. Auditor Switching (X4)

Auditor switching is a transfer of auditors carried out by the client company. The auditor switching variable uses a dummy variable. If the client company changes its auditor, it will be assigned a number 1. But if the client company does not change its auditor, it will be assigned a number 0.

e. Tenure Audit (X5)

Audit Tenure is the period of engagement between the auditor/KAP and the client. In this study, audit tenure is measured by how the company and independent auditors comply with the regulations governing audit engagements. Audit Tenure is measured by calculating the number of engagement years in which the same KAP performs audit engagements on the client company, the first year of engagement in the research is 2015, with the number 1 and added by one for the following years during the research year, namely 2015-2019. This information is seen in independent auditors' reports for several years to ascertain the length of time the KAP auditor has audited the company.

f. Audit Fee (X6)

The audit fee in this study is measured by using a natural logarithm proxy on professional fees or expert fees paid by clients. Formula:

Audit Fee = Ln (Professional Fees)

g. Dependent Variable

Audit Quality (Y)

The dependent variable in this study is audit quality. Audit quality is defined as the attitude of the auditor in carrying out audit tasks. Audit quality is reflected in the results of the examination of reliable financial statements in accordance with applicable standards. Audit quality is determined by two things, namely independence and competence. Based on the above definition, the conclusion is that an auditor in finding violations or misstatements must have competence as well as an attitude of professional care and caution. Audit quality is determined based on the earnings benchmark. One of the earnings management practices is the avoidance of reporting losses. In this case return on assets (ROA) is chosen as a determinant of audit quality. If the profit exceeds the earning benchmark, that is when the ROA value > + means that the auditor gives the company an opportunity to practice management by making good financial reports and increasing profits so that management can enjoy bonuses in the present or what is called windows dressing. If the loss exceeds the earning benchmark, that is when the ROA value < – This means that the auditor provides an opportunity for the company to practice management by making financial statements bad and increasing losses in the hope that management will get a bonus in the future or what is called taking a bath. 1 when it meets criteria – < ROA > + , indicates high audit quality. 2 for ROA > + where management practices “windows dressing” or ROA < – where management practices “taking a bath”, which indicates low audit quality.

3.4. Analysis Method

a. Descriptive Statistical Analysis

Descriptive statistical analysis is a statistic used to analyze data by describing the data that has been collected without intending the results and conclusions to apply to the public. This analysis consists of the number, sample, average value, maximum value, minimum value, and standard deviation, which are used to determine the characteristics of the sample used and provide explanations or information about the variables studied, namely the Dependent variable (Quality Audit). , and

DOI: 10.54756/IJSAR.2022.V.2.101

independent variables (Financial distress, Company Size, Asset Growth, Auditor Switching Audit Tenure and Audit Fee).

b. Logistics Regression Analysis

All research data that has been collected for processing will then be analyzed to obtain answers to the problems that arise in this research. In analyzing the data, the researcher used a software program. In general, studies use a significance level of 1%, 5%, or 10%. In a hypothesis test, if using = 5%, it means that the researcher has confidence that from 100% of the sample, the probability of sample members who do not have population characteristics is 5%. Based on this theory, this test was carried out using a significance level of 0.05 (α = 5%). The conditions for the rejection or acceptance of the hypothesis are as follows:

1) If the significance value <0.05 then the hypothesis is accepted (significant regression coefficient). This means that the independent variable has a significant influence on the dependent variable.

2) If the significance value > 0.05 then the hypothesis is rejected (regression coefficient is not significant). This means that the independent variable does not have a significant effect on the dependent variable.

The significance test in logistic regression can be divided into two, namely simultaneous testing and partial testing. Tests individually or partially can be done with the Wald Test. Meanwhile, simultaneous or simultaneous testing is carried out using the Overal Model Fit/Omnibus Test.

c. Overall Model Fit

The first step is to assess the overall model fit of the data. Several statistical tests are given to assess this. The hypothesis for assessing the model fit is: H0, while the hypothesized model fits the HA data, that is, the hypothesized model does not fit the data from this hypothesis, it is clear that we will not reject the null hypothesis so that the model fits the data. The statistics used are based on the likelihood function. Likelihood L of the model is the probability that the hypothesized model describes the input data. To test the null and alternative hypotheses, L was transformed to -2LogL. The decrease in likelihood (-2LL) indicates a better regression model or in other words the hypothesized model fits the data.

d. Wald test

According to Widarjono (2010: 123), in logistic regression the Wald test is used to test whether there is an effect of the independent variable on the dependent variable partially by comparing the Wald statistical value with the comparison value of Chi square at degrees of freedom (db) = 1 at alpha 5% , or by comparing the significance value (p-value) with an alpha of 5% where a p-value smaller than alpha indicates that the hypothesis is accepted or there is a significant effect of the independent variable on the dependent variable partially.

Table 1. Wald Test

Variables in the Equation

								95% C.I.for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1[a]	FD	,000	,000	2,950	1	,008	1,000	1,000	1,000
	CS	,000	,000	,794	1	,373	1,000	1,000	1,000
	AG	,000	,000	,098	1	,754	1,000	1,000	1,000
	AS	1,528	1,055	2,097	1	,014	4,609	,583	36,450
	AT	1,069	,609	3,081	1	,079	2,912	,883	9,608
	AF	,000	,000	,254	1	,614	1,000	1,000	1,000
	Constant	-,317	2,270	,019	1	,889	,728		

a. Variable(s) entered on step 1: Financial Distress, Company Size, Asset Growth , Auditor Switching, Audit Tenure, Audit Fee.

e. Coefficient of Determination (Nagelkerke R Square)

Cox and Snell's R Square is a measure that tries to imitate the size of R^2 in multiple regression which is based on the likelihood estimation technique with a maximum value of less than 1 (one) so it is difficult to interpret. Nagelkerke's R square is a modification of the Cox and Snell coefficients to ensure that the value varies from 0 (zero) to 1 (one). This is done by

DOI: 10.54756/IJSAR.2022.V.2.101

dividing the value of Cox and Snell's R2 by the maximum value. The value of Nagelkerke's R2 can be interpreted as the value of R^2 in multiple regression.

f. Feasibility of Regression Model

The feasibility of the regression model was assessed using Hosmer and Lemeshow's Goodness of Fit Test. Hosmer and Lemeshow's Goodness of Fit Test tests the null hypothesis that the empirical data fits or fits the model (there is no difference between the model and the data so that the model can be said to be fit). If the statistical value of Hosmer and Lemeshow's Goodness of Fit Test is equal to or less than 0.05, then the null hypothesis is rejected, which means that there is a significant difference between the model and the observed value, so that the Goodness fit of the model is not good because the model cannot predict the observed value. If the statistical value of Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, then the null hypothesis cannot be rejected and means that the model is able to predict the value of its observations or it can be said that the model is acceptable because it matches the observation data.

Testing Multicollinearity

A good regression model is a regression with no symptoms of a strong correlation between the independent variables. This test uses a correlation matrix between the independent variables to see the magnitude of the correlation between the independent variables. If the independent variables are correlated with each other, then these variables are not orthogonal. Orthogonal variables are independent variables equal to zero. Multicollinearity test aims to test whether the regression model found a correlation between the independent variables (independent). A good regression model should not have a correlation between the independent variables (Ghozali, 2011).

g. Classification Matrix

The classification matrix shows the predictive power of the regression model to predict the possibility of high or low audit quality conducted by KAP and AP.

4. DISCUSSION

4.1. Effect of Financial Distress on Audit Quality

The results of the Wald test for the financial distress variable have a significance of 0.008 so it can be concluded that financial distress has a significant effect on audit quality. The company's financial difficulties reflect the condition of a company through financial statements. This is where the role of the auditor is to provide an audit opinion on the auditee's financial statements by maintaining audit quality in order to provide information on the actual condition of the company so that the information submitted to the user is appropriate for decision making. The results of this study support research from Kusumastuti (2020).

4.2. Effect of Company Size on Audit Quality

The results of the Wald test for the company size variable have a significance of 0.373 so that it can be concluded that company size has no significant effect on audit quality. This test fails to prove that company size has an effect on audit quality. This shows that the size of the total assets of a company does not affect the quality of the resulting audit. The results of this study support research from Yavina (2014).

4.3. Effect of Asset Growth on Audit Quality

The results of the Wald test for the asset growth variable have a significance of 0.754 so it can be concluded that asset growth has no significant effect on audit quality. This test fails to prove that asset growth has an effect on audit quality. The results of this study support Kusumastuti's (2020) research which states that asset growth has no effect on audit quality.

4.4. Effect of Auditor Switching on Audit Quality

The results of the Wald test for the auditor switching variable have a significance of 0.014 so it can be concluded that auditor switching has a significant effect on audit quality. This test succeeded in proving that auditor switching has an effect on audit quality. The effect of auditor switching on quality includes two dimensions, namely independence and competence. In this case, the two dimensions are thought to have different strengths so that one of these aspects is able to make auditor switching affect audit quality. The results of this study support the research of Ratnasari (2018) which proves that auditor switching has an effect on audit quality by prioritizing aspects of auditor competence.

DOI: 10.54756/IJSAR.2022.V.2.101

4.5. Effect of Tenure Audit on Audit Quality

The results of the Wald test for the audit tenure variable have a significance of 0.079 so it can be concluded that audit tenure has no significant effect on audit quality. This means that the longer the audit engagement, the auditor will know more about the client's industry so that they are no able to detect errors and manipulations by management. The results of this study support research from Kusumastuti (2020) and Serli (2017), but differ from the results of research by Fierdha (2016) and Yavina (2014) which prove that audit tenure has effect on audit quality.

4.6. Effect of Audit Fee on Audit Quality

The results of the Wald test for the audt fee variable have a significance of 0.614, so it can be concluded that the audit fee has no significant effect on audit quality. The results of this test fail to prove that the audit fee has an effect on audit quality. This means that audit fees have no effect on audit quality, audit fees received by KAP do not affect the auditor's decision in issuing a decision to issue an unqualified opinion. The provision of audit fees cannot predict whether audit quality is good or not, because audit quality is seen from whether the auditor has an independent attitude or not. So the quality of the audit has no effect on how much the fee is given. The results of this study support Serli's research (2017).

5. CONCLUSIONS AND LIMITATIONS

5.1. Conclusion

The purpose of this study was to determine the effect of each variable financial distress, company size, asset growth, auditor switching, audit tenure and audit fees on audit quality. Based on the analysis results show that the results of the study indicate that financial distress and auditor switching have an effect on audit quality. Meanwhile company size, asset growth, audit tenure and audit fees have no significantly effect on audit quality.

5.2. Research Limitations

a. The variables used in this study are limited to financial distress, company size, asset growth, auditor switching, audit tenure and audit fees
b. The sample used in this study only focuses on manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period. For this reason, further research is recommended to increase the number of samples and extend the research period.

REFERENCES

Agoes, Sukrisno. 2017. *Auditing: Petunjuk Praktis Pemeriksaan Akuntan oleh Akuntan Publik*. Jakarta. Salemba Empat.

Altman,E.I. 2000. *Predicting the Financial Distress of Companies: Revisiting the Z-Score and ZETA Models.Working Paper.* New York University.

Aqmarina ,Vina, Reni Yendrawati. 2019. *The Factors That Influence Audit Quality By Earnings Surprise Benchmark.* Jurnal. Yogyakarta. Universitas Islam Indonesia.

Chandrarin, Grahita. 2017. *Metode Riset Akuntansi Pendekatan Kuantitatif*. Jakarta. Salemba Empat.

Erieska, Levia Aprilla. 2018. *Pengaruh Size KAP dan Fee Audit Terhadap Kualitas Audit dengan Rotasi Audit Sebagai Variabel Intervening.* Tesis. Universitas Tanjungpura.

Fierdha, Hendra Gunawan, Pupung Purnamasari. 2015. *Pengaruh Audit Rotation dan Audit Tenure Terhadap Kualitas Audit dengan Audit Fee Sebagai Variabel Pemoderasi*. Prosiding Ilmu Ekonomika. Bandung. Universitas Islam Bandung

Ghozali, L. 2011. *Aplikasi Analisis Multivariate dengan Program IBM SPSS 19*. Cetakan Kelima. Semarang. Badan Penerbit Universitas Diponegoro

Hasbi, Andi Rifqa. 2017. *Pengaruh Audit Tenure, Auditor Switching, dan Company Size Terhadap Kualitas Audit Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012-2015.* Skripsi. Makasar. Universitas Islam Negeri Alauddin.

Kusumastuti, Rika Dewi. 2020. *Pengaruh Financial Distress, Pertumbuhan Aset, Audit Tenure, Reputasi KAP dan Komite Audit Terhadap Kualitas Audit dengan Auditor Switching Sebagai Variabel Intervening.* Tesis. Jakarta. Universitas Esa Unggul.

Muliawan, Eko Kurnia, dan Sujana, I Ketut. 2017. *Pengaruh Ukuran Kantor Akuntan Publik, Auditor Switching, Dan Audit Tenur Pada Kualitas Audit*. E Jurnal Akuntansi Vol.2. No.1. Denpasar. Universitas Udayana

DOI: 10.54756/IJSAR.2022.V.2.101

Mustari, Ratnasari. 2018. *Pengaruh Auditor Switching, Audit Tenure, dan Company Size Terhadap Audit Quality dengan Fee Audit Sebagai Variabel Moderasi.* Skripsi. Makasar. Universitas Islam Negeri Alauddin.

Pasiwi, Belliani Griya, Majidah, Dewa Putra Krishna Mahardika. 2016. *Analisis Determinan Kualitas Audit*. e-Proceeding of Management : Vol.3, No.2. Bandung. Universitas Telkom.

Radona, Bani. 2017. *Pengaruh Audit Tenur, Auditor Switching, dan Company Size Terhadap Kualitas Audit Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2012-2015.* Skripsi. Universitas Sumatera Utara.

Republik Indonesia.2015. *Peraturan Pemerintah Republik Indonesia Nomor 20 Tahun 2015 Tentang Praktik Akuntan Publik*. Presiden Republik Indonesia. Jakarta.

Salehi, M.A.Arianpoor, dan Salehi.F. 2017. *Investigating the Effect of Internal Auditor on the Performance of Private Banks System.* Journal of Accounting, Business, & Management.

Sarifah, Vasselina Ardani. 2017. *Pengaruh Tenur Audit,Rotation Audit, Audit Fee Terhadap Kualitas Audit Dengan Komite Audit Sebagai Variabel Moderasi.*Jurnal Akuntansi Vol.6. No.1. Fakultas Ekonomi Universitas Riau.

Sima, P., and Badera. 2018. *Reputasi Auditor sebagai Pemoderasi Pengaruh Financial Distress dan Audit Fee pada Auditor Switching*. E-Jurnal Akuntansi. 24(1). Denpasar. Universitas Udayana.

Sinaga, Daud M.T. 2012. *Analisis Pengaruh Audit Tenur, Ukuran KAP,Company Size Terhadap Kualitas Audit.* Skripsi. Semarang. Universitas Diponegoro.

Sugiono. 2014. *Metode Penelitian Bisnis.* Bandung: Alfabeta.

Sumarwoto. 2006. *Pengaruh Kebijakan Rotasi KAP terhadap Kualitas Laporan Keuangan.* Tesis. Semarang. Universitas Diponegoro.

Tarihoran, Daulat Sahat Hatorangan, dan Budiono, Eddy. 2016. *Pengaruh Ukuran Perusahaan, Ukuran Kantor Akuntan Publik, dan Opinion Shopping terhadap Penerimaan Opini Audit Going Concern.* E-Proceeding of Management. 3(1). Bandung. Telkom University.

Widarjono, Agus. 2010. *Analisis Statistika Multivariat Terapan.* Edisi Pertama. Yogyakarta. UPP STIM YKPN.

Cholifah Nur Cahyanti[1], Ambar Woro Hastuti[2], Sri Werdiningsih[3]

[1] E-mail:cholifahnurcah2@gmail.com

[2] E-mail: ambarworo.hastuti@unmer.ac.id

[3]E-mail: sri.werdiningsih@unmer.ac.id

DOI: 10.54756/IJSAR.2022.V.2.101