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The Effect of Audit Tenure, Client Importance, and Auditor Specialization on Audit Quality

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ABSTRACT

This study aims to examine the effect of audit tenure, client importance, and auditor specialization on audit quality. The population in this study consisted of 185 manufacturing companies listed on the Indonesia Stock Exchange in 2020-2022, which were selected through purposive sampling method. The analysis was carried out using Logistic Regression through STATA 17 software. The results of this study indicate that audit tenure has no effect on audit quality, client importance has a negative and significant effect on audit quality and auditor specialization has a positive and significant effect on audit quality. The results of this study have significant implications for understanding how important it is to conduct audits conducted by specialist auditors because it has been proven by research that specialist auditors are able to provide higher audit quality, so perhaps policy makers and companies need to regulate in the client acceptance process that they must accept clients in the same industry in order to produce high quality audit reports.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh yang diberikan oleh audit tenure, client importance, dan spesialisasi auditor terhadap kualitas audit. Populasi dalam penelitian terdiri dari 185 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia pada tahun 2020-2022, yang dipilih melalui metode purposive sampling. Analisis dilakukan menggunakan Regresi Logistik melalui perangkat lunak STATA 17. Hasil penelitian ini menunjukkan bahwa audit tenure tidak berpengaruh terhadap kualitas audit, client importance berpengaruh secara negatif dan signifikan terhadap kualitas audit dan spesialisasi auditor berpengaruh positif dan signifikan terhadap kualitas audit. Hasil penelitian ini memiliki implikasi yang signifikan terhadap pemahaman betapa pentingnya melakukan audit yang dilakukan auditor spesialis karena telah terbukti secara riset bahwa auditor spesialis mampu memberikan kualitas audit yang lebih tinggi, sehingga mungkin pembuat kebijakan maupun perusahaan perlu mengatur dalam proses penerimaan klien bahwa harus menerima klien dalam industri yang sama agar dapat menghasilkan laporan audit yang berkualitas tinggi.

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1. Introduction

Indonesia's current business environment, there is intense competition among competing companies. As more companies make public stock offerings and are listed on the Indonesia Stock Exchange (IDX), the use of public accounting services continues to grow (Putra & Nelvirita, 2022). Companies that have been listed on the IDX, their financial statements must be audited by an independent auditor or public accounting firm (KAP), during the audit process carried out by a public accountant, it is hoped that the audit process will be of high quality in order to produce a quality audit report so that shareholders make the audit report the right basis for decision making. Richah & Triani (2021) explains that financial reports are the main source of information for shareholders, so that through a good audit process, trust in financial reports is created that the information contained in the financial statements is reliable and useful for shareholders and other interested parties.

Research by Novrilia et al. (2019) explains that audit quality includes the examiner's expertise in identifying significant errors and the intention to disclose these errors. In carrying out their work, auditors follow the guidelines of auditing standards and ethical principles that apply to public accountants. Research by Yolanda et al. (2022) revealed that audit quality reflects the behavior of auditors when carrying out their audit duties, and can be seen in the results of examining financial statements in accordance with applicable standards. Apart from having an important role in preventing violations and accounting errors in financial statements, audit quality also has a significant impact in maintaining public trust in the accuracy and validity of financial statements that have been examined by KAP / auditors. Therefore, audit quality needs to be maintained and must be improved by public accountants.

The financial audit report contained has an important aspect, namely audit quality. Audit quality refers to the extent to which an auditor has the ability to find errors (Putra & Nelvirita, 2022). Audit reports are improved when the auditors who perform them have competence and independence. Competence in the auditor refers to the auditor's expertise in identifying discrepancies contained in the financial statements, while auditor independence relates to the auditor's independence when reporting these discrepancies in the financial statements (Darya & Puspitasari, 2017).

Information derived from audit results is very valuable and is used as a basis for parties who have an interest when making decisions. Auditors are expected to independently provide reliable information, unfortunately there are still many independent auditors who are not responsible for the resulting audit reports. This is reflected in the various cases that have occurred against audit failures, both outside and within the country.

Audit report fraud still often occurs in the manufacturing sector, this indicates that the quality of the resulting audit is still relatively low. In 2018, there was an incident that happened to KAP Amir Abadi Jusuf, Aryanto, Mawar & Rekan for failing to carry out an adequate audit of the financial statements of its client, PT Tiga Pilar Sejahtera Food, which has now changed its name to PT FKS Food Sejahtera in 2021, which at that time gave an unqualified opinion. The beginning of the audit problem began when KAP Ernst & Young partners evaluated the results of audits conducted by public accounting firms in Indonesia, where it was found that there were sales, inventory, fixed assets, and trade receivables accounts that did not reflect the actual financial condition (www.cnbcindonesia.com). The results of the investigative audit showed an unreasonable increase in sales, inventories, fixed assets, and trade receivables of Rp 4 trillion, sales of Rp 662 billion, and subsidiary EBITDA of Rp 329 billion (Kontan.co.id, 2019).

Cases involving public accounting firms indicate that there are still institutions that violate the rules and provide low quality financial statement audits. Low audit quality can damage the reputation of the public accounting firm, which will have a negative impact on both its clients and the public's view of it. Furthermore, Yolanda et al. (2022) explain that it needs to be emphasized that high audit quality can basically be obtained when auditors comply with auditing standards and principles, maintain independence, follow legal regulations, and carry out the professional code of ethics.

There are many factors that affect audit quality, including audit tenure, namely the engagement period of an auditor involved in an audit with a particular client, which includes how long an auditor has conducted audits for client companies. This refers to the length of cooperation between the Public Accounting Firm (KAP) and the same audited entity (Yolanda et al., 2022). Yolanda et al. (2022)

states that the length of time the relationship between the client and the auditor can create the impression that the auditor is difficult to maintain his independence.

The long duration of collaboration sometimes leads auditors to become overconfident in their existing audit approach. This can result in a lack of innovation or development in the use of audit strategies. As a result, the level of audit quality produced may decrease (Dayuni et al., 2019). Previous research that discusses audit tenure variables and does not have consistent results includes Darya & Puspitasari's (2017) research which shows that audit tenure has a positive effect on audit quality. Furthermore, research by Buchori & Budiantoro (2019) states that audit tenure has a negative effect on audit quality. Another difference is in the research of Cahyati et al. (2021) and Darmawan & Ardini (2021) which state that audit tenure has no effect on audit quality.

Suciana & Setiawan's research (2018) explains client importance as the auditor's action in distinguishing from each client he has. According to Devi et al. (2019), client importance is seen from the client's finances to the KAP concerned, the higher the client's finances, the more important it is considered, so that audit quality will get worse as a result of economic dependence. This statement is supported by Wahyu's (2020) where client importance affects audit quality by reflecting that auditors may not want to report violations or discrepancies in the client's financial statements. This is due to the auditor's concern that reporting this could have an impact on his income and encourage clients to find another auditor.

Client importance can occur because the revenue that can be obtained is greater than other clients, so that KAP or auditors consider the company more favorable (Devi et al., 2019). Auditor quality will decrease when auditors view their clients as a source of income in the long term. Previous studies that have inconsistent results regarding client importance variables include research by Nurbaiti & Setyawan (2023) and Devi et al. (2019) which state that client importance has a negative effect on audit quality. Other differences in results were carried out by Wahyu (2020) and Suciana & Setiawan (2018) who stated that client importance has no effect on audit quality.

Auditor specialization which can be a factor in influencing the results of financial statement audits. The role of auditors who have specialized to improve audit quality involves the auditor's understanding and experience focused on a particular client's industry or business (Sari & Darya, 2023). Auditors who have this special expertise also have a higher chance of identifying errors and irregularities in the financial statements, so that companies can present more reliable financial statement information (Budiantoro et al., 2021).

Improving audit quality can be achieved through a high level of competence possessed by an auditor. Competent auditors are able to detect potential misstatements that may occur with clients. Thus, the understanding and knowledge possessed by an auditor when they audit clients in the same industry can increase the effectiveness and efficiency of the auditor's work (Budiantoro et al., 2021). Auditors who specialize in an industry tend to be more familiar with the company's situation in the industry and the company's environment. Auditors who specialize in a particular industry have a greater chance of identifying errors and fraudulent actions that may be committed by company management than auditors who do not specialize, which in turn can improve audit quality (Wahyu, 2020).

Research by Pertiwi & NR (2020) revealed that the frequency of Public Accounting Firms (KAP) conducting audits of similar companies, the KAP can improve its capabilities in that group of companies and can be classified as a specialist auditor, so that its reputation will increase. Auditors not only have an understanding of auditing and accounting, but also have the ability to understand the situation that occurs in the industry. This allows them to provide high-quality audits, including in detecting fraud that may be committed by management intentionally or not. Previous research that discussed the specialization variable still had inconsistent results, including research by Budiantoro et al. (2021) with the results of auditor specialization having a positive effect on audit quality. Research by Lestari et al. (2023) has the results of auditor specialization having a negative effect on audit quality. Other results from Suciati & Triani's research (2019) and Suciana & Setiawan (2018) have the result that auditor specialization has an effect on audit quality.

The number of cases that occur against company audit reports and the inconsistencies in the results of previous studies are the basis for researchers to examine the effect of audit tenure, client importance, and auditor specialization on audit quality. In this study, researchers will use data on

manufacturing companies listed on the IDX in 2020-2022 as research objects because based on the survey results from [the Association of Certified Fraud Examiners \(2022\)](#) in the Report To The Nations, it was revealed that manufacturing companies were among the top 3 most cases, namely 194 cases of audit fraud with the highest loss value, reaching \$177,000. These losses are due to asset misuse, corruption cases, and cases of financial statement fraud. This research was developed from previous research belonging to [Syaifulloh & Khikmah \(2020\)](#) with the title “The Effect of Audit Tenure, Audit Committee, Audit Capacity Stress and Alignment Effect on Audit Quality: (Empirical study of manufacturing companies in Indonesia)”. This study adopts one dependent variable, namely audit quality and one independent variable, namely audit tenure. This study then adds the independent variables of client importance and auditor specialization. Another difference from previous research is that this study measures client importance using the amount of total assets that reflect the size of the company to the amount of audit fees. This study uses an audit quality measurement model by looking at the auditor's reputation. In addition, the object and year of research used in this study are companies in the manufacturing sector listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022.

2. Literature Review

2.1. Agency Theory

Agency theory was originally coined by Jensen and Meckling in 1976. Research by [Lestari et al. \(2023\)](#) states that agency theory is used by companies as a tool to examine the relationship between management and business owners in managing their business operations. Differences in interests can cause conflicts of interest between internal and external parties. Agency theory is used to prevent these conflicts of interest, where external auditors are considered as mediators between the interests of company management and shareholders. The main function of the external auditor is to evaluate and provide an assessment of the company's financial statements that have been prepared by company management in accordance with current accounting standards ([Silaban & Suryani, 2020](#)).

The existence of auditors can be an intermediary that facilitates the balance of interests between principals and managers in managing company finances. Auditors provide an assessment of the fairness of the presentation of the company's financial statements in a professional manner. ([Sari & Rahmi, 2021](#)). Audit results produced by independent auditors who have a high reputation make the first view of the audit report better. In an effort to improve the quality of financial statements, not a few companies that go public choose the best audit services to get quality audit opinion results. Research by [Lestari et al. \(2023\)](#) revealed that auditors are expected to provide quality audit results and maintain this quality. To get reliable audit results, a quality audit report is needed. High audit quality will increase public trust in financial reports, so that audit results can be used by stakeholders in decision making.

2.2. The Effect of Audit Tenure on Audit Quality

In connection with agency theory, the auditor acts as a third party who plays a role in checking the performance of company management. Auditors play a role in reducing 5 fraud and material misstatements that can affect audit quality. The existence of audit tenure makes auditors too confident in the existing audit approach, so that innovation or development in the use of audit strategies is reduced ([Richah & Triani, 2021](#)).

The results of research conducted by [Andriani & Nursiam \(2018\)](#) and [Suciati & Triani \(2019\)](#) state that audit tenure has a negative effect on audit quality. [Andriani & Nursiam \(2018\)](#) say that a long engagement time can cause a decrease in independence and objectivity due to excessive familiarity between the two parties. This familiarity triggers a negative influence on the audit report, resulting in a decrease in auditor independence ([Suciati & Triani, 2019](#)).

The length of the engagement of a KAP / auditor will form an emotional bond between the auditor and the client, and decrease the objectivity of the auditor in finding discrepancies in the financial statements. Then, the familiarity that arises causes the auditor to feel reluctant to report if there is fraud or material misstatement. This can result in a decrease in auditor quality due to reduced auditor independence. Based on supporting theory and previous research, the hypotheses that will be tested in this study are:

H₁ : Audit tenure has a negative effect on audit quality

2.3. The Effect of Client Importance on Audit Quality

In relation to agency theory, the auditor as a third party who examines the results of the company's financial statements, with the emergence of an attitude that prioritizes the interests of the client will certainly have an impact on the level of quality of the audit report conducted by the auditor / KAP. Client importance will affect auditor independence in the ongoing audit process (Nurbaiti & Setyawan, 2023). Company size has the ability to change the auditor's view of the client due to the factor of greater audit costs than other clients. The auditor will consider his client as a potential source of finance, thus influencing the emergence of economic dependence (Devi et al., 2019).

Wahyu (2020) revealed that the more important a client causes lower audit quality because there is an economic dependence that makes auditors not independent and objective in their performance. The tendency of auditors will cover up and not report errors and fraud in the financial statements (Devi et al., 2019). The more the auditor / KAP prioritizes the interests of the client, the lower the resulting audit quality will be. Low audit quality arises because the revenue on audit fees generated from the company is greater than that of other clients, so that the auditor / KAP will try to maintain its clients so as not to look for another auditor / KAP for the next period. Based on supporting theory and previous research, the hypotheses that will be tested in this study are:

H₂ : Client importance negatively affects audit quality

2.4. The Effect of Auditor Specialization on Audit Quality

The view in agency theory that any auditor who has specialization can reduce the agency problem of asymmetric information on financial statements (Fadhilah & Halmawati, 2021). Agency theory explains that audit costs are the result of higher industry specialization. This factor occurs because the costs required to develop expertise and skills in a particular industry are higher for non-specialized auditors (Hartono & Laksito, 2022). Therefore, an auditor who specializes in the industry in question is needed because he has an advantage over auditors who do not specialize in it.

The results of research by Buchori & Budiantoro (2019) and Sari & Darya, (2023) show that auditor specialization has a positive effect on audit quality. Buchori & Budiantoro (2019) confirm that irregularities and errors contained in the financial statements can be predicted properly by specialized auditors, so that the information available in the financial statements is better. Specialist auditors are thought to have a fairly good understanding of client companies because they have experience in the same industry, so that specialist auditors are able to detect fraud committed by clients better than non-specialist auditors (Sari & Darya., 2023).

Auditors have the task of ensuring that the company's financial statements that have been applied are accurate. Auditors who have worked in some of the same industries have a better awareness of internal controls and business risks, so that the company's audit problems are easier to overcome. Based on supporting theory and previous research, the hypotheses that will be tested in this study are:

H₃ : Auditor specialization has a positive effect on audit quality

3. Research Methods

3.1. Research Design

This research uses a quantitative approach that emphasizes theory testing through measuring research variables with numbers and analyzing data with statistical procedures. The stages in logistic regression analysis consist of descriptive statistics, logit model testing, and hypothesis testing.

3.2. Population and Sampel

The population in this study were manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020-2022, totaling 225 companies. Sampling in this study used nonprobability sampling with purposive sampling technique. This study obtained a sample of 185

financial sector companies with 3 years of observation so that the total observations were 555 data. The criteria for determining the required sample are as follows.

1. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020-2022.
2. Companies that provide all the required data in the audited annual financial statements during 2020-2022.
3. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) IPO 2021-2022.

3.3 Operational Definition and Measurement of Variables

1. Audit Quality

The dependent variable (Y) used in this study is audit quality. Audit quality is the possibility of an auditor to examine and report problems with the company's accounting system (Devi et al., 2019). The results of the financial statement audit will determine the company's future business continuity, the audit report will have an impact on investors' decisions to invest in the company (Sari & Rahmi, 2021). The public views audit quality based on the reputation and size of the Public Accounting Firm (KAP). The size of a large KAP with a good reputation such as the big four is considered to provide better and more reliable audit quality, rather than a non big four KAP.

Audit quality in this study is proxied by the reputation of the auditor. Financial statements audited by KAP big 4 or non big 4 are one of the things that are considered to assess the quality of financial statement audits. The audit quality variable is measured using a dummy variable by looking at the services used by the company in auditing its financial statements (Ardhityanto, 2020). The number 1 is given when the financial statements are audited by KAP big 4, while the number 0 will be given when the financial statements are audited by KAP non big 4.

2. Audit Tenure

Audit tenure is seen from the length of the company's engagement with the auditor regarding audit services used to examine the company's financial statements. Audit tenure is considered to be a factor that affects audit quality due to the long engagement between the company and the auditor (Luthfisahar, 2020). Companies audited by the same auditor determine the audit tenure measured by the total engagement. Measurement of the audit tenure variable is done by calculating the total years of auditor involvement in auditing the same company. The beginning of the engagement year will be given the number 1 and added and +1 if the auditing auditor is still the same (Aritonang & Darmawati, 2022).

3. Client Importance

Client Importance is considered to be the relative financial source of the client for the KAP or auditor, because it will be the main source of income that continues throughout the engagement period. Maintaining the importance of major clients can provide a number of benefits for an auditor, including job stability, promotion opportunities, and reinforcement within the organizational structure (Sari & Darya, 2023). Client importance often arises when KAP finds clients who have a large enough existence. The size of the company is measured by assessing the total assets of the company being audited, because company assets can affect the amount of audit fees. The formula for measuring client importance is:

$$CI = \frac{LnTAST_{it}}{\sum_{i=1}^n LnTAST_{it}} \quad (1)$$

Description:

CI_{it}	= Client importance i (KAP) in t (given year)
$LnTAST_{it}$	= Natural logarithm of total assets of client i (KAP) in t (year). certain
$\sum_{i=1}^n LnTAST_{it}$	= Total assets of n clients audited by i (KAP) in t (year) certain) in natural logarithms.

4. Auditor Specialization

The specialization of an auditor will be reflected in his experience and audit capabilities in certain industrial sectors (Sari & Darya, 2023). Specialized auditors have 8 in-depth knowledge of the characteristics of the industry, strictly adhere to audit standards, are able to identify risks and problems that are unique to the industry, and are able to detect errors or irregularities compared to non-specialized auditors (Septiani & Kurnia, 2018).

Determination of auditor status as a specialist or non-specialist is based on the percentage of public company clients audited by the Public Accounting Firm (KAP) in a particular industry, then the weight is determined using the methodology prepared by the KAP based on the company's total assets, using the formula formulated by Siregar et al. (2009). The formula for measuring auditor specialization is:

$$SA = \frac{\text{Jumlah klien KAP di industri}}{\text{Jumlah seluruh emiten di industri}} \times \frac{\text{Rerata aset klien KAP industri}}{\text{Rerata aset seluruh emiten industri}} \quad (2)$$

A KAP is said to be a specialist if the KAP controls 10% market share. The specialist auditor category is given a value of 1 and the non-specialist auditor is given a value of 0.

3.4 Analysis Technique

Number e effect of audit tenure, client importance, and auditor specialization on audit quality in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022. The regression model in this study is as follows:

$$KA = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \quad (3)$$

Description:

KA = Audit Quality

α = Constant

$\beta_1 - \beta_3$ = Regression coefficient

X_1 = Audit tenure

X_2 = Client importance

X_3 = Auditor specialization

e = Error

4. Results and Discussion

Table 1 shows the results of descriptive statistics for each variable in this study. The average (mean) value of the audit quality variable is 0.318, which means that 31.8% of companies in this study sample have used the big four KAP as their company auditor. The average value of audit tenure is 1.45, which means that the average audit engagement period is 1.45 or rounded up to 1 year. The average value of the client importance variable is 0.251, meaning that the average company in this sample has a high asset value and is an important client for KAP. The average value of auditor specialization is 0.037, this value can be interpreted that the number of companies that employ industry specialist auditors in this study sample group is 3.7%.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
KA	556	0.318	0.466	0	1
AT	555	1.450	0.638	1	3
CI	555	0.251	0.339	0.001	1
SA	555	0.038	0.191	0	1

The Hosmer-Lemeshow Goodness of Fit Test shows the feasibility value of the data model in this study. If the Probability Chi-Squared H-L (Hosmer- Lemeshow) Statistic value $> \alpha$ (0.05), the model is feasible to use, and vice versa. If the value is less than α (0.05) then the model is not feasible to use. The following Hosmer and Lemeshow Test results are presented in table 2. The results of the

Overall Model Feasibility Test the Probability ChiSquared H-L (Hosmer- Lemeshow) Statistic value shows a value of 33.36 which means greater than the significance level α (0.05), it can be concluded that the model is feasible to use and means that this model is able to explain the observations made.

Table 2. Hosmer-Lemeshow

Step	Chi-Square	df	Sig.
1	33.36	4	0

Testing the correlation matrix will provide an overview of the direction and magnitude of the relationship between variables. A correlation value between 0-0.5 indicates a weak correlation, a correlation value between 0.51-0.70 indicates a moderate correlation, and a correlation value between 0.71-1 indicates a strong correlation (Law, 2018). The results of the correlation matrix analysis in Table 3 show that the audit tenure, client importance, and auditor specialization variables have a weak correlation with audit quality because the rho value of each variable is in the 0-0.5 range.

Table 3. Correlation Matrix Analysis

Variables	(1)	(2)	(3)	(4)
(1) KA	1.000			
(2) AT	0.034	1.000		
(3) CI	-0.395	-0.065	1.000	
(4) SA	0.107	-0.001	-0.065	1.000

Based on the results of the logistic regression that has been carried out, it can be seen in Table 4, the following is the regression equation of this study is as follows. $KA = -0.442 + 0.056X1 - 2.198X2 + 0.909X3 + e$

The constant (α) of -0.442 indicates that audit quality, which is the dependent variable, will decrease by 0.442 if the independent variables audit tenure, client importance, and auditor specialization are considered constant or 0. The regression coefficient of the audit tenure variable is 0.056. This means that if there is an increase in audit tenure, the audit quality value will increase by 0.056. The regression coefficient of the client importance variable is -2.198. This means that if there is an increase in client importance, the value of audit quality will decrease by 2.198. The auditor specialization regression coefficient is 0.909, meaning that if the auditor specialization increases, the audit quality value will increase by 0.909.

Table 4. Regression Logistic

KA	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
AT	0.056	0.146	0.38	0.703	-0.230	0.342	
CI	-2.198	0.395	-5.57	0.000	-2.971	-1.424	***
SA	0.909	0.460	1.98	0.048	0.007	1.811	**
Constant	-0.442	0.245	-1.80	0.072	-0.923	0.039	*

The results of the marginal effect test with the dy/dx option are used to calculate the marginal effects of the variables. This test serves to evaluate how changes in these variables will affect the model response. It can be seen in Table 5 that the coefficient value for audit tenure is positively related to audit quality, indicating that the length of the auditor's engagement with the company has a positive influence on the audit results of the financial statements. The value of dy / dx (marginal effect) on the Audit Tenure variable is 0.011, which means that the longer the auditor engagement time results in a higher audit quality level of 1.1% compared to a short engagement time which can result in a low quality audit.

The coefficient value for client importance is positively related to audit quality, 10 indicating that when the auditor prioritizes the client's interests, it will have a positive effect on the audit results of the financial statements. The value of dy / dx (marginal effect) on the Client Importance variable is 0.440, it can be concluded that the probability of client importance being able to produce a high quality audit is 44% higher than producing a low quality audit.

The coefficient value for auditor specialization is positively related to audit quality, indicating that companies will choose specialist auditors in order to improve the results of financial statement

audits. Testing the value of dy / dx (marginal effect) for the Auditor Specialization variable, which is 0.182, it can be concluded that the probability of auditor specialization produces a high quality audit is 18.2% higher than a low quality audit result.

Table 5. Marginal Effect

Variables	Coeff	Marginal Effect
X1	0.056	0.011
	0.146	0.029
X2	-2.198***	0.440***
	0.395	0.726
X3	0.909***	0.182***
	0.46	0.090
Constant	20.152***	
	2.370	

The coefficient of determination is used in hypothesis testing to assess the ability of the independent variable to explain the dependent variable in a regression model. The coefficient of determination in this study can be assessed in [table 6](#) below. The coefficient of determination test results show a Pseudo r-squared value of 0.071, so it can be concluded that the audit tenure, client importance, and auditor specialization variables have contributed 7.1% to the audit quality variable. While the remaining 92.9% is the influence given by variables that are not in this study.

Table 6. Pseudo r-squared Coefficient of Determination

Mean dependent var	0.319	SD dependent var	0.466
Pseudo r-squared	0.071	Number of obs	555
Chi-square	49.188	Prob > chi2	0.000
Akaike crit. (AIC)	653.730	Bayesian crit. (BIC)	671.005

Partial significance testing is seen from the p-value of the logistic regression test results. If the p-value $p\text{-value} < 0.05$, then the independent variable has a significant effect on the dependent variable. The regression estimation results based on [Table 7](#) of the partial significance test show the p-value of each independent variable on the dependent variable so that it can be concluded as follows: The results of the partial test analysis show that the Audit Tenure variable on Audit Quality has a p-value of $0.703 > 0.05$, meaning that the audit tenure variable has no effect on audit quality, so H1 which reads audit tenure has a negative effect on audit quality is not supported. The results of the partial test analysis of the Client Importance variable on audit quality have a p-value of $0 < 0.05$, meaning that the client Importance variable has an effect on audit quality, so that H2 which reads client Importance has a negative effect on audit quality is supported. The results of the analysis of the Auditor Specialization variable test on audit quality have a p-value of $0.048 < 0.05$, meaning that the auditor specialization variable has an effect on audit quality, so that H3 which reads auditor specialization has a positive effect on audit quality is supported.

Table 7. Partial Test

KA	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
AT	0.056	0.146	0.38	0.703	-0.230	0.342	
CI	-2.198	0.395	-5.57	0.000	-2.971	-1.424	***
SA	0.909	0.460	1.98	0.048	0.007	1.811	**
Constant	-0.442	0.245	-1.80	0.072	-0.923	0.039	*

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

5. Discussion

The Effect of Audit Tenure on Audit Quality

The test results of the audit tenure variable in this study state that there is no effect on audit quality so that the first hypothesis is not supported. The statistical test results show that the coefficient

value of the length of the auditor engagement is not related to the auditor in carrying out the process until providing an audit opinion. This can occur because the average company and KAP only conduct short tenure or less than 3 years. This research is not in line with agency theory where the auditor functions as an arbiter of principal and agent conflicts, but with a short engagement period plus the existence of audit rotation regulations causing short tenure and long tenure to have no effect on audit quality.

The results of this study are in line with the research of Cahyati et al. (2021), (Syiaifulloh & Khikmah, 2020), and Darmawan & Ardini (2021) which state that audit tenure has no effect on audit quality because audit tenure does not guarantee the quality of audit results. The short length of the audit engagement does not always affect independence so that it can reduce audit quality. In addition, before the auditor starts performing his duties, of course the auditor already has a fairly good understanding of audit procedures, so that he can detect the potential if the client tries to manipulate the financial statements. Auditors are also required to maintain their mental attitude and independence during the audit process. Auditors must be able to hold commitments both in the long and short term, KAP / auditors must still maintain their reputation by maintaining auditor independence and professionalism. KAP also has comprehensive standard audit procedures, so the tenure between the auditor and the client will not affect the auditor's performance. The length of the relationship between the auditor and the client will not have an impact on the quality of the resulting audit as long as the auditor complies with standards and follows professional ethics.

The Effect of Client Importance on Audit Quality

The results of hypothesis testing in this study state that client importance has a negative effect on audit quality so that the second hypothesis is supported. This means that the more the auditor prioritizes the client's interests, the lower the audit quality will be. In accordance with agency theory which states that auditors are needed to connect the owner (principal) and management (agent) in order to reduce conflicts between principal and agent. This difference occurs if the auditor prioritizes the interests of certain clients which can reduce the independence of the auditor, so that it cannot reduce the conflict between the principal and the agent. This research is in line with the research of Nurbaiti & Setyawan (2023) and Devi et al. (2019) which states that client importance has a negative effect on audit quality.

The results of this study are in line with the concept of social identity which explains the influence of the personal impression of an auditor who is assigned or hired by a client will significantly increase client identification. Auditors will tend to identify with clients when the auditor views the client as a potentially large company in the future that will continue to employ the auditor, so that auditors who have the view that the client is an ongoing source of income and can potentially reduce auditor independence.

The Effect of Audit Specialization on Audit Quality

The results of hypothesis testing in this study state that auditor specialization has an effect on audit quality so that, it can be said that the third hypothesis is supported. This means that the more specialized an auditor is, the higher the audit quality will be. 13 In accordance with agency theory which states that auditors are needed to act as arbiters of conflicts of interest that occur between principals and agents, the presence of specialist auditors will certainly improve the quality of the resulting audit.

This research is in line with the research of Budiantoro et al. (2021), Fadhilah & Halmawati (2021), and Sari & Darya (2023) which have research results that there is a positive effect of auditor specialization on audit quality. A competent auditor is one who has the ability to detect irregularities in his client. This means that the understanding and knowledge gained by an auditor while auditing clients in the same industry will improve the auditor's performance so that it is more effective and

efficient. This is thought to be because the auditor's industry specialization is believed to provide a better understanding of the operating conditions of the industry and the company's environment. Auditors with industry expertise are better able to detect misstatements and fraud committed by company management than auditors without expertise so as to improve audit quality.

6. Conclusions and Suggestions

Based on the results of data processing and discussion that has been carried out on manufacturing sector companies listed on the IDX for the 2020-2022 period with a total sample of 555, the effect of audit tenure, client importance, and auditor specialization on audit quality can be concluded that Audit Tenure has no effect on audit quality. This is because from the start the auditor has held a commitment to maintain his reputation by maintaining auditor independence and professionalism. KAP / auditors also have standard audit procedures. As long as auditors comply with standards and follow professional ethics, the tenure between auditors and clients will not affect auditor performance. Client Importance has a negative effect on audit quality. This is because when the auditor feels that the client has great potential in the future and can continue to be tied to the auditor. The auditor considers the client as a continuous source of income which has the potential to reduce auditor independence and make auditor results unqualified.

Auditor specialization has a positive effect on audit quality. This is because the auditor's experience in the same industry can affect the auditor's understanding and knowledge so that he understands more about business risks, internal controls, and audit risks in the industry. This advantage affects the audit function to be more effective and efficient, so as to improve audit quality. Based on the conclusions of further research, it is recommended to consider variable measurements on each variable used. Different measurements are certainly capable of producing results that can be more accurate and relevant depending on the context and situation. and more useful for various interested parties. In addition, by exploring new methods and points of view that have never been explored before, this opens up opportunities to innovate on the research.

The limitations in this study related to the auditor specialization variable in interpreting measurements are due to the fairly complicated data collection process which allows errors in data collection or human error. Although researchers have carried out the process according to predetermined procedures to measure these variables, it is not impossible that the process has been carried out perfectly. Different measurements can certainly produce results that can be more accurate and relevant depending on the context and situation, and more useful for various interested parties. In addition, by exploring new methods and viewpoints that have not been explored before, it opens up opportunities to innovate on the research.

The results of this study have significant implications for understanding how important it is to conduct audits conducted by specialist auditors because it has been proven by research that specialist auditors are able to provide higher audit quality, so perhaps policy makers and companies need to regulate in the client acceptance process that they must accept clients in the same industry in order to produce high quality audit reports.

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