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Determinants of Audit Quality: Evidence from Consumer Sectors in Indonesia

Septia Mitha Caesaria, Majidah
School of Economics and Business, Telkom University, Indonesia
Email: septiamithacaesaria@student.telkomuniversity.ac.id, majidah@telkomuniversity.ac.id

Abstract

Audit quality refers to the auditor's ability to detect and disclose irregularities, fraud, or violations in a company's financial statements through the resulting audit report. A high-quality audit is crucial for ensuring the reliability of financial information and strengthening investor and stakeholder confidence in the company's performance. This study examines the determinants of audit quality among companies listed in the cyclical and non-cyclical consumer sectors in Indonesia during the 2021–2023 period. The factors analyzed include corporate governance, audit fees, client importance, workload, and auditor industry specialization. The purposive sampling method was employed, resulting in a sample of 106 companies and 318 observational data points. The data were analyzed using panel data regression with a panel-corrected standard errors (PCSE) approach to address heteroscedasticity and autocorrelation issues. The results showed that client importance and auditor industry specialization are positive determinants of audit quality, while workload negatively affects audit quality. These findings have important implications for public accounting firms, regulators, and other stakeholders, encouraging enhanced audit reliability so that financial statements can be trusted and used as a basis for informed decision-making.

Keywords: Audit Fee, Client Importance, Corporate Governance, Audit Quality, Auditor Industry Specialization, Workload

INTRODUCTION

An audit plays a crucial role in maintaining the credibility of the financial information presented by a company. A quality audit is characterized by the auditor's ability to detect and report material misstatements appropriately, whether caused by error or fraud (DeAngelo, 1981; DeFond & Zhang, 2014). A quality audit is necessary to ensure transparency and accountability in financial reporting, as well as to build stakeholders' trust in the information provided (Quick et al. 2024; Nurbaiti & Sabilla, 2022). In that context, audit effectiveness depends not only on the technical procedures applied, but also on several external conditions and auditor characteristics that can affect the objectivity and rigour of the audit process (Knechel et al., 2013). Quality audits require external auditors to comply with Public Accountant Professional Standards (SPAP), complete audits on time, and follow procedures under accounting standards (Majidah et al., 2018). Various determinants of audit quality play a significant role, both directly and indirectly, as they can impact auditors' independence, objectivity, and professional accuracy in performing audit procedures. A deep understanding of these determinants is crucial for enhancing audit practices and ensuring that the financial statements produced are reliable for all stakeholders (Umar et al., 2019; Akuoko-Sarpong et al., 2024).

Issues related to poor-quality audits remain a concern today. This is reflected in the results of the 2024 International Forum of Independent Audit Regulators (IFIAR) survey, which shows that audit quality globally has not been stable. There was a 4% decrease in findings in 2022 compared to the previous year, but this trend was reversed, with a 6% increase in 2023. This

suggests that audit firms still face major challenges in maintaining audit quality, despite the introduction of the International Standard on Quality Management 1 (ISQM 1) (International Forum of Independent Audit Regulators, 2024). Internationally, the NMC Health audit case in the UK is a crucial example of the failure to maintain audit quality. Ernst & Young (EY) is being sued for £2 billion for allegedly failing to detect red flags in the 2012-2018 financial statements, including not checking the general ledger and failing to uncover US$4 billion in hidden debt (Kissin & Gray, 2025). Meanwhile, in Indonesia, similar issues are reflected in the case of PT Tiga Pilar Sejahtera Food Tbk (AISA), which allegedly manipulated its 2017 financial statements, including inflating assets by up to Rp4 trillion, despite being audited by the Public Accounting Firm Amir Abdi Jusuf, Aryanto & Mawar affiliated with RSM International. An investigative audit by EY in 2019 revealed fraudulent practices by the old management, and the case led to a criminal conviction and examination of the KAP by the relevant authorities (Asmara, 2019; Nasional Kontan, 2021).

In line with this phenomenon, academic studies also show inconsistencies in findings regarding the determinants of audit quality. Some studies indicate that corporate governance, audit fees, client importance, workload, and auditor industry specialization are key determinants of audit quality (Chtaoui et al., 2024; Dekeyser et al., 2024; Aly et al., 2023; Hossain et al. 2023; Heo et al., 2021). However, other studies have found inconsistent or contradictory determinants of audit quality (Sulaiman et al., 2022; Cahyanti et al., 2022). This difference in results may be influenced by different ways of measuring audit quality, such as audit opinion, the level of errors detected, or the level of financial statement manipulation. Additionally, differences in regulatory systems and sector-specific characteristics may also impact the results obtained.

Research on various determinants of audit quality has been conducted using various approaches, one of which is through measurement of discretionary accruals, which reflect the extent to which auditors can detect earnings management that may be misleading (Bing et al., 2014). Discretionary accruals can make financial statements appear better than the actual condition, misleading stakeholders' assessments of the company's performance and affecting their decision-making (Chi et al., 2009). In this case, the high value of discretionary accruals indicates low audit quality, as it suggests the auditor's inability to limit financial reporting aggressiveness (DeFond & Zhang, 2014).

Although considerable research has been conducted on audit quality, most studies focus on developed countries with varying market structures and regulations. In Indonesia, research examining the combined determinants of corporate governance, audit fees, client importance, workload, and auditor industry specialization on audit quality remains relatively limited. Emerging market conditions, such as those in Indonesia, have their own dynamics, including different levels of compliance, business pressures, and supervision compared to developed countries. Therefore, this study aims to examine the determinants of audit quality through five main aspects: corporate governance, audit fees, client importance, workload, and auditor industry specialization, in consumer cyclicals and consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange for the period 2021-2023. By using discretionary accruals as a proxy for audit quality, this study is expected to contribute to the audit literature in emerging markets and provide practical insights for regulators and the auditor profession on improving audit quality in Indonesia.

RESEARCH METHODS

This research falls under the category of quantitative research, specifically descriptive, which aims to explain the relationship between variables. The method used is by analyzing secondary data. The approach used is deductive, where the research process begins by

observing phenomena related to the variables under study, and then formulates these observations into problems that are arranged within a framework based on previous studies and researchers' understanding.

The object of this research is companies included in the consumer cyclicals and consumer non-cyclicals sectors listed on the Indonesia Stock Exchange during the 2021-2023 period. Data analysis was carried out using panel data regression. The sample is determined based on sampling criteria which include: (1) companies in the consumer cyclicals and consumer non-cyclicals sectors that are listed on the Indonesia Stock Exchange in 2021-2023; (2) companies in the consumer cyclicals and consumer non-cyclicals sectors that consistently publish annual reports during 2021-2023; (3) companies in the consumer cyclicals and consumer non-cyclicals sectors that consistently state audit fees in annual reports during 2021-2023. Based on these criteria, the sample was obtained from as many as 106 companies, totalling 318 observations.

Dependent Variable (Y)

The dependent variable in this study is audit quality. This study measures audit quality using absolute value discretionary accruals, which are also used as indicators of earnings management (Choi et al., 2010; Mao et al., 2020; Hossain et al., 2023). Discretionary accrual is measured using the Modified Jones Model, which is an improved version of the original Jones Model developed by Dechow et al. (1995), which incorporates aspects of the previous period and includes all changes in receivables as part of earnings management. The absolute value of discretionary accruals to capture earnings management practices that increase or decrease earnings by managers (Bing et al., 2014). By this approach, the greater the absolute value of DA as indicated by the further the value is from zero, the greater the potential for earnings management, so that audit quality is assumed to be lower (DeFond & Zhang, 2014). The assumption is that managers use discretionary accruals to manipulate or degrade the quality of financial statements, and a high-quality audit should be able to identify such irregularities (DeFond & Zhang, 2014; Ayoola, 2022). Thus, a negative regression coefficient on DA is interpreted as a positive determinant of audit quality, and vice versa. The following is the formula for discretionary accrual:

$$TA_t/A_{t-1} = \alpha_1(1/A_{t-1}) + \alpha_2(\Delta REV_t - \Delta REC_t)/A_{t-1} + \alpha_3 PPE_t A_{t-1}$$

In which:

TA_t = Total accruals total accruals in year t, estimated as excess of net income in year t (NI_t) over cash flow from operations in year t (CFO_t)

A_{t-1} = total asset in year t-1

ΔREV_t = change in revenues from year t – 1 to year t

ΔREC_t = change in receivables from year t – 1 to year t

PPE_t = property, plant, and equipment in year *t*

The estimated value of total accruals, which represents non-discretionary accruals (NDA_t), is obtained by inputting the estimated parameters α_1, α_2, α_3 into equation (1). Furthermore, discretionary accruals (DA_t) are calculated in the following way:

$$DA_t/\ A_{t-1} = TA_t/A_{t-1} - NDA_t/A_{t-1}$$

Independent Variable (X)

Corporate governance is assessed using a score-based system, which refers to the corporate governance indicators studied by Ahmar et al. (2024), a score of 1 indicates that the company meets the requirements of good corporate governance, while a score of 0 indicates that the company does not meet these requirements. Audit fees are measured using the natural logarithm of the audit fee paid by the client (auditee) to the public accounting firm. (Griffin et al., 2010).

Client importance is measured by the total assets of the company, as referenced in research (Chen et al. 2010, Chang et al., 2019). A score of 1 is given if the natural logarithm of

the client's total assets is greater than the average natural logarithm of the client's total assets in a given year and a score of 0 is given if the client's total assets are smaller than that average.

Workload is measured by dividing the number of audit clients handled by a KAP each year by the number of KAP partners (Pamungkas & Gantyowati, 2021). This measurement is used because capacity pressure on an office is estimated as an increase in audit workload attributable to clients (Suhardianto & Leung, 2020).

Auditor industry specialization is measured using a market share audit measurement that refers to the research of Aurely et al. (2021) which uses a nominal scale, namely if the AIS value is below 10%, it is given a value of 0, if above 10%, it is given a value of 1. The use of market share audit proxies to calculate the auditor's industry specialization is because it is considered to reflect the level of industry priority compared to other auditors. The greater the market share an auditor owns, the higher the level of industry specialisation the auditor possesses (Dekeyser et al., 2024).

Regression Model

Data analysis in the study was conducted using panel data regression to determine the relationship between two variables. The formulation of this research problem involves the relationship between the independent variables namely, corporate governance (CG), audit fee (AF), client importance (CI), workload (WL), and auditor industry specialization (SA) and the dependent variable, audit quality (AQ). The panel data regression equation in this study is:

$$AQ = \alpha + \beta_{1it}CG_{1it} + \beta_{2it}AF_{2it} + \beta_{3it}CI_{3it} + \beta_{4it}WL_{4it} + \beta_{5it}SA_{5it}$$

I which:

AQ	: Audit Quality
α	: Constanta
$\beta_1,\beta_2,\beta_3,\beta_4,\beta_5$	: Regression Coefficient of Each Variable
CG	: *Corporate Governance*
AF	: *Audit Fee*
CI	: *Client Importance*
WL	: *Workload*
SA	: Auditor Industry Specialization
t	: Period *t*
i	: Company *i*
ε	: *Error term*

Data Analysis Strategy

This study uses a significance level of 0.05. Descriptive statistical analysis was conducted first to provide an initial overview of the data used. The entire processing process was carried out using STATA software. The panel data regression model is applied because it can combine the characteristics of cross-section and time series data, which means data is collected from various observation units and observed over several periods. The use of panel data regression provides advantages in the form of greater degrees of freedom, to reduce the risk of omission of important variables (omitted variable bias) in the analysis model. The validity of the regression model used is ensured through the classical assumption test.

RESULT AND DISCUSSION

Descriptive Statistic

Table 1. Descriptive statistics

Variable	Obs	Mean	Std. dev.	Min	Max
aq	318	.1719064	.6733011	.00077	8.41086
cg	318	.8740566	.0782995	.6	1
af	318	20.30484	1.338018	17.66	24.07
ci	318	.5786164	.494559	0	1
wl	318	59.2505	26.02668	15.75	146.13
sa	318	.4245283	.4950502	0	1

Source: Data processed by the author (2025)

Table 1 presents descriptive statistics for all variables used in this study, based on 318 observations from the 2021-2023 period. This study employs one dependent variable, namely audit quality, and five independent variables: corporate governance, audit fees, client importance, workload, and auditor industry specialization.

Audit quality (AQ), as measured by discretionary accruals, has an average value of 0.171 and a standard deviation of 0.673. These values indicate that the data is heterogeneous or widely dispersed in the consumer cyclicals and consumer non-cyclicals sectors listed on the Indonesia Stock Exchange during the 2021–2023 period. These findings suggest that the effectiveness of auditors in curbing earnings management varies across companies, indicating that audit quality may not yet be fully optimal in ensuring that financial statements are presented fairly by applicable accounting standards.

Corporate Governance (CG) has an average value of 0.874 and a standard deviation of 0.078. The relatively small standard deviation compared to the mean indicates that the data is homogeneous, clustered, and shows minimal variation. This suggests that most companies in this study have implemented corporate governance effectively and maintained consistency in its application.

The audit fee (AF) has an average of 20.304 with a standard deviation of 1.338. This indicates that the data is relatively homogeneous and clustered, showing little variation. It reflects that most companies pay audit fees within a relatively high and consistent range.

Meanwhile, client importance (CI) has an average value of 0.578 and a standard deviation of 0.494. This indicates that the data is relatively homogeneous, clustered, and does not vary significantly. It suggests that most clients in the sample are considered important by auditors. Larger companies tend to receive more thorough audits due to higher audit risks, prompting auditors to exercise greater diligence during the audit process.

Workload (WL) has an average of 59.250 with a standard deviation of 26.026. This indicates that the data shows moderate variability, meaning that auditor workloads vary considerably across companies. In some cases, auditors may experience extremely high workloads, which could potentially compromise the quality of the audit procedures performed.

Finally, auditor industry specialization (SA) has an average value of 0.424 and a standard deviation of 0.495. This indicates that the data is heterogeneous or widely dispersed. It suggests that many companies in the sample have not consistently employed auditors with industry-specific expertise.

Model Selection Tests

The selection of the panel regression model is performed through the Chow Test, Lagrange Multiplier (LM) Test, and Hausman Test. Based on the test results, the fixed effect model was chosen because it met the significance criteria (<0.05) in all three tests. Before the

interpretation is performed, the model is first tested using the classical assumption test to ensure the validity of the regression model employed.

Hausman Test (Random vs Fixed)

The Hausman test is used to determine the most appropriate panel regression model between the fixed effects model and the random effects model. The null hypothesis (H_0) states that the random effects model is more appropriate than the fixed effects model, while the alternative hypothesis (H_1) states otherwise.

The Hausman test statistic is calculated with the formula:

$$\chi^2_{obs} = (\hat{\beta} - \hat{\beta}_{GLS})' \hat{\psi}^{-1} (\hat{\beta} - \hat{\beta}_{GLS})$$

The null hypothesis is rejected if the value of χ^2_{obs} is greater than the critical value of $\chi^2_{\alpha;p}$or if the p-value ≤ α (0,05) which means that the fixed effect model is more suitable.

Table 2. Hausman Test

Coefficients	(b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) Std. err.
cg	.8394415	.3253241	.5141174	.5275063
af	-.0019947	-.017711	.0157164	.0518862
ci	.0637633	.0086784	.0550849	.0317284
wl	.0000386	.0017872	-.0017487	.000341
sa	.059998	.0023899	.0576081	.0478533

b = Consistent under H0 and Ha; obtained from **xtreg**.
B = Inconsistent under Ha, efficient under H0; obtained from **xtreg**.
Test of H0: Difference in coefficients not systematic
chi2(5) = (b−B)′[(V_b−V_B)^(−1)](=b−B)
= 33.65
Prob > chi2 = 0.0000

Source: Data processed by the author (2025)

Based on the test results (Table 2), the p-value is 0.0000 (<0.05), which means that the null hypothesis (H_0) is rejected. This indicates that the fixed effects model provides a better fit than the random effects model, and thus it is chosen for further analysis.

Classical Assumption Tests

Normality Test (Skewness-Kurtosis Test)

The normality test is conducted to evaluate whether the distribution of residuals in the regression model meets the assumption of normality. This test uses the Skewness-Kurtosis approach with the null hypothesis (H_0) that the residuals are normally distributed and the alternative hypothesis (H_1) that the residuals are not normally distributed. The test decision is based on the probability value (p-value), where H_0 is rejected if the p-value ≤ 0.05.

Table 3. Normality Test *Skewness and kurtosis tests for normality*

				Joint test	
Variable	Obs	Pr(skewness)	Pr(kurtosis)	Adj chi2(2)	Prob>chi2
resid	318	0.0000	0.0000	345.28	0.0000

Source: Data processed by the author (2025)

The results show (Table 3) reject H_0 and conclude that the data is not normally distributed because the p-value is 0.000 <0.05. However, in line with the Central Limit Theorem and large number theory, if n > 30, the data can be assumed to be approximately normally distributed (Islam, 2018).

Homoscedasticity Test (Breusch-Pagan Test)

The homoscedasticity test is conducted to assess whether the residual variance in the regression model is constant (homoscedastic). This test uses the Breusch-Pagan method, in which squared errors are regressed against the independent variables to detect any systematic pattern in the residual variance. The null hypothesis (H_0) states that the data is homoscedastic, while the alternative hypothesis (H_1) states that heteroscedasticity exists. Decision-making criteria are determined based on the probability value (p-value), where H_0 is rejected if the p-value ≤ 0.05.

Table 4. Homokedasticity Test

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variable: Fitted values of aq
H0: Constant variance
chi2(1) = 1238.04
Prob > chi2 = 0.0000

Source: Data processed by the author (2025)

Based on the test results (Table 4), the p-value of 0.0000 <0.05 is obtained, so H_0 is rejected. It can be concluded that the model is not free of heteroscedasticity.

Autocorrelation Test (Wooldridge Test)

The autocorrelation test is conducted to determine whether a serial relationship exists among errors across different observations in the panel regression model. This test uses the Lagrange Multiplier (LM) test with the null hypothesis (H_0) that there is no autocorrelation ($\rho = 0$ or $E(\varepsilon_i, \varepsilon_j) = 0$). In contrast, the alternative hypothesis (H_1) states that there is autocorrelation ($\rho \neq 0$ or $E(\varepsilon_i, \varepsilon_j) \neq 0$). The test decision is based on the probability value (p-value), with the criterion that H_0 is rejected if the p-value <0.05.

Table 5 Autocorrelation Test

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
F(1, 105) = 14.813
Prob > F = 0.0002

Source: Data processed by the author (2025)

Based on the test results (Table 5), the p-value is 0.0002 <0.05, so H_0 is rejected. It can be concluded that the model is not free of autocorrelation.

Multicollinearity Test

The multicollinearity test is conducted to evaluate whether there is a high correlation between independent variables in the regression model, which may affect the validity of the coefficient estimates. The null hypothesis (H_0) states that there is no multicollinearity ($\rho_{ij} = 0$ for $i \neq j$), while the alternative hypothesis (H_1) states that there is multicollinearity ($\rho_{ij} \neq 0$ for i

≠ j). The evaluation is done using the Variance Inflation Factor (VIF) value, with the criterion that H_0 is rejected if VIF > 10.

Table 6 Multicollinearity Test

Variable	VIF	1/VIF
af	1.79	0.558396
sa	1.69	0.590816
wl	1.07	0.931986
ci	1.06	0.947362
cg	1.01	0.986907
Mean VIF	**1.33**	

Source: Data processed by the author (2025)

Based on the test results (Table 6), all VIF values are <10. Therefore, H_0 is not rejected and it can be concluded that the model is free from multicollinearity assumptions.

It can be concluded that there are only violations of heteroscedasticity and autocorrelation assumptions. Therefore, the selected FEM model was transformed with Panel-Corrected Standard Error (PCSE) (Hoechle, 2007).

Panel Regression Analysis

Panel data regression with panel-corrected standard error (PCSE) is used in this study to overcome heteroscedasticity and autocorrelation problems while analyzing the data. Before performing panel data regression, several classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation, were conducted. The test results indicate that heteroscedasticity and autocorrelation issues persist in the data. Therefore, the PCSE method is a suitable approach because it can correct the standard error in panel data regression models.

Table 7. Regression Using Panel-Corrected Standard Error (PCSE)
Linear regression, correlated panels corrected standard errors (PCSes)

Group variable:	Code				Number of obs	318
Time variable:	Year				Number of groups	106
Panels:	**correlated (balanced)**				Obs per group:	
Autocorrelation:	**no autocorrelation**				min =	3
					avg =	3
					max =	3
Estimated covariances			5671		R-squared =	0.1270
Estimated autocorrelations			0		Wald chi2(5) =	57.52
Estimated coefficients			6		Prob > chi2 =	0.0000
	Panel-corrected					
aq	Coefficient	Std. err.	z	P>|z|	[95% conf. interval]	
cg	.0664393	.1625305	0.41	0.683	-.2521147	.3849933
af	.0499845	0258176	1.94	.053	-.000617	.100586
ci	-.100505	0334567	-3.00	.003	-.166079	-.0349311
wl	.0090442	0021146	4.28	.000	.0048997	.0131887
sa	-.1261295	0411136	-3.07	.002	-.2067106	-.0455484
_cons	-1.325269	.691787	-1.92	0.055	-2.681147	.0306089

Source: Data processed by the author (2025)

The panel data regression equation estimated in this study is as follows:

$$AQ = -1{,}3253 + 0{,}0664CG_{it} + 0{,}0499AF_{it} - 0{,}1005CI_{it} + 0{,}0090WL_{it} - 0{,}1261SA_{it}$$

Description:

AQ : Audit Quality

CG : *Corporate Governance*
AF : *Audit Fee*
CI : *Client Importance*
WL : *Workload*
SA : Auditor Industry Specialization
t : Period *t*
i : Company *i*

Hypothesis Testing

Overall Significance Test (F-test)

The overall model significance test is conducted to determine whether the independent variables in the regression model are jointly significant in predicting the dependent variable. In regression with Panel-Corrected Standard Errors (PCSE), this test is assessed through the Chi-square p-value statistic. Furthermore, according to Saraswati et al. (2024), good corporate governance is characterised by ethical behaviour, accountability, transparency, and sustainability, which collectively form trust and enhance the company's reputation in the eyes of investors. The hypothesis tested is as follows:

H_0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$ (there is no simultaneous determination of audit quality)
H_1 : at least one $\beta_j \neq 0$ (there is a simultaneous determination of audit quality)

The model shows acceptable determination if the probability value (p-value) of the Chi-square statistic is less than the specified significance level ($\alpha = 0.05$).

Table 8 Overall Significance Test

Wald chi2(5) = 57.52
Prob > chi2 = 0.0000

Source: Data processed by the author (2025)

Based on the test results, the Chi-square statistical value with a p-value of 0.000 was obtained. This value is smaller than the 5% significance level, so H_0 is rejected. Thus, it can be concluded that there is a simultaneous determinant of audit quality.

Partial Significance Test (t-Test)

The t-test was conducted to assess the contribution of each determinant in partially explaining audit quality (AQ).

The hypotheses tested are:

H_0 : $\beta j = 0$ (the j-variable is not a determinant of audit quality)
H_1 : $\beta j \neq 0$ (variable j is a determinant of audit quality)

The decision is based on the t-statistic value and the resulting probability (p-value). H_0 can be rejected if the t-statistic value is greater than the t-table value at the 5% significance level (>1.64), or if the p-value is less than 0.05 (p-value ≤ 0.05). Thus, a variable is declared as a determinant of audit quality if it meets these test criteria.

Table 9 Partial Significance Test

	Panel-corrected					
aq	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
cg	.0664393	.1625305	0.41	0.683	-.2521147	.3849933
af	.0499845	0258176	1.94	.053	-.000617	.100586
ci	-.100505	0334567	-3.00	.003	-.166079	-.0349311
wl	.0090442	0021146	4.28	.000	.0048997	.0131887
sa	-.1261295	0411136	-3.07	.002	-.2067106	-.0455484

_cons	-1.325269	.691787	-1.92	0.055	-2.681147	.0306089

Source: Data processed by the author (2025)

Discussion of Findings

This study examines the determinants of corporate governance, audit fees, client importance, workload, and auditor industry specialisation on audit quality in companies listed on the Indonesia Stock Exchange in the Consumer Cyclicals and Consumer Non-Cyclicals sectors from 2021 to 2023. Audit quality is measured using discretionary accruals by adopting the Modified Jones Model developed by Dechow et al. (1995). The value of discretionary accruals is inversely related to audit quality, where the higher the value of discretionary accruals indicates lower audit quality. Therefore, a negative regression coefficient on DA indicates a positive relationship with audit quality, and vice versa.

Based on the analysis results, it is found that corporate governance (CG) exhibits a regression coefficient of 0.066 with a p-value of 0.683 ($0.683 > \alpha = 0.05$), indicating that CG is not a determinant of audit quality. This finding does not support the research hypothesis which suspects a positive relationship between corporate governance and audit quality. Although CG principles, such as transparency, accountability, responsibility, independence, and fairness, have been included in the company's annual report as a form of compliance with regulations, their implementation has not been substantial, which has an impact on the low effectiveness of supervision and internal control (Hartono et al., 2023). Thus, the expected audit quality cannot be achieved optimally. For example, in this study, the accountability aspect shows the weak implementation of corporate governance. This is reflected in the low disclosure of the reward and punishment system, where only 15% of companies include this information in their annual reports. This suggests that the reward and punishment mechanism, which should be a crucial part of the management supervision system, has not been implemented effectively. The absence of this mechanism has the potential to weaken the internal control function and create room for earnings management practices without clear consequences.

Moreover, audit fee (AF) has a coefficient of 0.050 with a p-value of 0.053 ($0.053 > \alpha = 0.05$) which indicates that AF is not a determinant of audit quality. This finding does not support the second hypothesis which states that audit fees are a positive determinant of audit quality. However, this result reflects a favourable condition, as it can be seen as an indication that auditors maintain professional independence by providing audit results that accurately reflect the company's actual condition, without being influenced by the amount of fees paid. The amount of compensation received does not necessarily affect the quality of the resulting audit, as auditors are still required to comply with auditing standards and the code of ethics, and apply the principles of independence, objectivity, and professional scepticism at all stages of the audit. In practice, audit fees tend to reflect the complexity of the business and the audit procedures performed, rather than guaranteeing better audit quality (Aly et al., 2023; Feng et al., 2023). Therefore, the resulting audit opinion should not be influenced by the amount of compensation received.

Furthermore, client importance (CI) has a coefficient of -0.100 with a p-value of 0.003 ($0.003 < \alpha = 0.05$) which indicates that CI is a positive determinant of audit quality. These results support the hypothesis that the more important the client's position is to the auditor, the higher the audit quality provided. In this context, companies with large assets are generally regarded as major or strategic clients, so auditors tend to increase rigour and care in the audit process to maintain their reputation and long-term relationships. Audit complexity in large-scale companies requires auditors to involve a larger team, longer processing times, and more in-depth procedures, which ultimately makes the client a key consideration for the auditor

(Hossain et al., 2023). This finding suggests that reputational pressure and the potential risk of litigation from important clients can motivate auditors to enhance the quality of their work. This finding is supported by previous research by Pamungkas & Gantyowati (2021) and Hossain et al. (2023).

In addition, workload (WL) shows a coefficient of 0.009 with a p-value of 0.000 ($p < 0.05$), indicating that WL is a negative determinant of audit quality. This finding supports the proposed hypothesis, namely that high workload tends to reduce audit quality. Auditors who face time pressure and limited resources due to high workloads are at risk of compromising thoroughness in the audit process. This condition can lead to dysfunctional auditor behaviour, which reduces the auditor's ability to detect material misstatements in the client's financial statements. An excessive workload can impair the auditor's level of concentration and diminish their ability to identify errors or irregularities in the financial statements (Cheng et al., 2021). Therefore, workload is a negative determinant of audit quality because an increase in workload can reduce auditor focus, resulting in lower audit quality. This finding aligns with the research of Hwang & Hong (2022) and Heo et al. (2021), which demonstrate that workload can cause fatigue in auditors and lead to a decrease in audit quality.

Additionally, auditor industry specialization (SA) shows a coefficient of -0.126 with a p-value of 0.002 ($0.002 < \alpha = 0.05$) which indicates that SA is a positive determinant of audit quality. This finding supports the proposed hypothesis that auditors with industry specialisation will better understand the operational characteristics, risks, and regulations specific to their industry (Rijal et al., 2023). A deep understanding of industry dynamics enables auditors to more quickly identify deviant patterns and accurately assess the fairness of financial statement presentation, which can be challenging for auditors without specialised expertise. This minimises the possibility of misdetecting material misstatements. Additionally, strong sector knowledge enhances the auditor's ability to design more relevant and effective audit procedures. This indicates that the presence of specialist auditors can enhance audit quality by increasing accuracy and thoroughness in the examination process. This finding aligns with previous research by Rijal et al. (2023) and Dekeyser et al. (2024), which also indicate that auditor industry specialisation is a positive determinant of audit quality.

CONCLUSION

This study confirms that client importance and auditor industry specialization positively influence audit quality, while excessive workload negatively impacts it, as auditors tend to exercise greater caution with large, complex clients due to the significant risks of audit failure, consistent with agency theory's emphasis on rigorous oversight to mitigate managerial opportunism. Specialized auditors leverage sector-specific expertise to enhance performance, whereas heavy workloads hinder focus and can lead to quality degradation. Contrary to expectations, corporate governance and audit fees were not significant determinants, indicating a possible gap between formal governance mechanisms and their practical enforcement, as well as auditor independence being maintained regardless of compensation levels. These findings align with both agency theory, highlighting audits' role in resolving principal-agent conflicts by ensuring financial statement credibility, and stakeholder theory, emphasizing how high-quality audits bolster corporate accountability and public trust particularly vital within Indonesia's complex regulatory environment. Despite advancing understanding of audit quality determinants in Indonesia's Consumer Cyclicals and Non-Cyclicals sectors, the study's limitations include its reliance on discretionary accruals as the sole proxy for audit quality, a narrow sectoral focus, and the absence of mediating or moderating variables. Future research should consider alternative audit quality measures, extend analyses to other industries, and

explore additional factors such as auditor ethics and internal control effectiveness to offer a more comprehensive assessment of audit quality drivers.

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