



Determinants of Audit Quality in Companies That Conduct Initial Public Offerings

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This research aims to investigate factors that affect quality control, including audit period, auditor reputation, accounting firm size, and audit fees. The population of this study consisted of 54 companies that participated in the Initial Public Offering (IPO) and were listed on the Indonesia Stock Exchange (IDX) in 2021. The sample was taken using the purposive sampling method to obtain a sample of 42 companies. This study uses quantitative data analysis techniques. SPSS version 20 is used for statistical analysis in data analysis. From the results of this study, audit tenure, KAP size, and audit fees do not affect audit quality; partial research confirms that auditor reputation significantly impacts audit quality. The results of this study can be used as a reference for auditors to improve audit quality for companies conducting IPO.

Keywords: *audit tenure, auditor reputation, KAP size, audit fee, quality control.*

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INTRODUCTION

The number of companies going public in Indonesia is increasing because they want to develop into large companies with old competitiveness. One of the challenges that must be faced is related to funding needs. The company needs funding in the form of loans and additional capital to create a strong capital structure. The capital market offers a solution to strengthen the company's capital structure by obtaining funds from the public offering process of shares to the public or commonly said with an Initial Public Offering (IPO). This stage will also change the status of a company that was originally closed to a public company. The management will also be carried out professionally and more transparently ([BEI, 2015](#)).

In the IPO process, companies are obliged to participate in the registration with the Financial Services Authority and requests for stock listing on the Indonesia Stock Exchange. They must also prepare documents, such as financial statements controlled by competent public accountants. Public accountants who audit the company's financial statements must be registered with the OJK. This condition increases the demand for audits of financial statements. The fairness of the financial statements is needed by interested parties to make decisions ([Palalangan et al., 2017](#)).

Audited financial statements are of higher quality than those that are not. Better audits are recognized for independent assurances of financial statement trust that enhance investor protection and confidence. Audit quality will improve the quality of financial reporting by increasing investor confidence ([Hasan et al., 2020](#)). Therefore, auditors need to carry out their duties professionally. Thus, the reports produced are of high quality and can maintain the trust of internal and external parties and maintain the existence of auditors in the business world ([Palalangan et al., 2017](#)). The quality in question is how much the auditor's expertise in detecting material misstatements and several gaps or deviant actions in the company ([Tandiontong, 2015](#)). An audit is qualified if it has conveyed the company's actual state or how well the financial information describes the state of the company's economy ([Widiastuty, 2010](#)). A quality audit is required for public accountants because the results of this audit will be used as a document listed in the prospectus of the initial public offering; this will be the trust of many people. However, many cases of accounting scandals prove the failure of control so that it seriously impacts the business community. Many of these cases raise the question of why auditors fail to detect fraud in financial statements. Auditors should control themselves appropriately, including in terms of detecting fraud. These audit-related cases undermine public trust in audit quality.

An example of the low quality of the review is the case of PT Sunprima Nusantara Pembiayaan (SNP Finance) for the fiscal year 2012-2016. Manipulating financial statements is carried out to obtain credit from Bank Mandiri. PT SNP guarantees receivables that are in fact, fictitious. However, an audit

conducted by the affiliated Public Accounting Firm (KAP) Deloitte Satrio, Bing, Eny, and Rekan found that SNP Finance had equity of Rp 733 billion as of December 31, 2017. The FSA's findings confirm SNP Finance's lack of equity, which indicates that the company's finances are unhealthy. In this case, the Ministry of Finance claims that the Public Accountant who controls SNP Finance's financial statements violates professional auditing standards. SNP Finance auditors have not yet perfectly installed information system controls to ensure the accuracy of financing receivables journals and customer data when conducting audits, according to data officials from the Center for Financial Professional Development (PPPK). In addition, public accountants have not implemented adequate audit procedures for the fraud risk detection process and response to fraud risk. They have not obtained sufficient and proper proof of control for consumer financing receivables accounts ([CNN Indonesia, 2018](#)).

Inadequate audit procedures and risk detection have resulted in low-quality audits. The failure of auditors to detect fraud has also led to a decrease in trust from the public. Meanwhile, auditors are responsible for reporting fraud and checking whether the financial statements have been presented based on standards. The rise of cases of low audit quality creates gaps in public expectations and perceptions of auditors' performance and responsibility in auditing financial statements ([Laili, 2020](#)). The more cases of audit quality management, the worse the performance image of the auditor in carrying out control of financial statements..

Audit quality is the main thing before a reliable method is found to measure the quality of audits accurately. In this study, researchers measured the quality of audits according to the quality of profits using the earning surprise benchmark model. The earning surprise benchmark model is partly the latest in this study because the previous study measured more audit quality with dummy variables of big four and non-big four public accountants. This measurement is already less relevant to the current situation because, among the many cases related to the quality of the KAP audit, the Big Four are those entangled in the case. Therefore, researchers try to elevate studies with different measurements. Many studies examine audit quality, but there is still room for further research due to the many factors and complexity of the internal business environment of the Public Accounting Firm (KAP) or external at the auditee level that can affect the quality of audits ([Indriani et al., 2020](#); [Rahmi et al., 2019](#); [Primaraharjo & Handoko, 2011](#)). Thus, research related to audit quality is still interesting.

Many factors can affect audit quality, such as tenure audits. This tenure can be characterized as the length of the contract established between the public accounting firm and the concurrent auditee. The duration of the audit tenure is still a matter of debate to this day. In fact, in a short tenure, auditors do not have sufficient time to identify audit risks for new clients. Meanwhile, the long audit tenure provides sufficient

understanding and time for auditors to master knowledge related to the audited company ([Achlan Firdaus & Sopian, 2021](#)). However, long tenure can also result in closeness between auditors and clients so as to reduce the independence of auditors. Research by [Rahmi et al. \(2019\)](#); [Siregar, \(2020\)](#) emphasized that tenure audits do not significantly impact audit quality. This finding is inversely proportional to the results of the study [Nurhayati & Dwi, 2015](#), which describes the quality of audits as having a strong influence on audit quality. The quality of audits is expected to increase if the auditor's relationship with clients gets longer. Until now, there are still differences in the study results, so the researcher chose to re-examine this variable.

[Hasanah & Putri, \(2018\)](#) stated that tenure audits influence the quality of audits. The longer the audit tenure, the closer the auditor is to the company. However, this can help auditors to understand the company being audited. This study's findings align with the research of [Andriani et al. \(2020\)](#), which revealed that the quality of audits is improved with tenure. The less information asymmetry between auditors and clients over a longer period, the better auditors can make better decisions. Similarly, the research findings of [Nurhayati & Dwi \(2015\)](#) show that tenure audits positively impact audit quality. This occurrence is due to the hypothesis that the quality of audits is considered to increase with increasing tenure. In accordance with entity theory, public accounting firms carry out their activities to perfect the needs of each party, one of which is the company. This does not reduce auditors' independence, because auditors should conduct audits based on applicable standards and regulations. The hypothesis proposed is, **H1: Tenure audit has a positive effect on audit quality.**

The auditor's reputation can also affect the quality of the audit because it is a reflection of the performance image and public trust in the auditor's performance ([Nizar, 2017](#)). The auditor is obliged to maintain his good name as well as the office where the auditor works. Large public accounting firms are often referred to as having a high reputation so that auditors are experts and independent. Large offices tend not to rely on specific clients rather than small local offices. First, they have deeper office-level clients so they are not economically dependent on specific clients. In other words, large offices are more resistant to client pressure to make substandard reporting than small offices ([Choi et al., 2010](#)). Auditors can carry out their activities professionally because public accounting firms are not economically dependent on the clients they audit ([Fauzan Prasetya & Yuniarti Rozali, 2016](#)). There have been several previous studies on audit reputation. [R. Sari & Rahmi \(2021\)](#) stated that the reputation of auditors has a good and significant effect on audit quality. This study uses measurements of companies controlled by big four public accounting firms with companies controlled by non-big four.

In contrast to that research, [Nugroho \(2018\)](#) described the

reputation of public accountants as having no bearing on audit quality. This incident indicates that companies controlled by big four public accounting firms do not necessarily have good quality control either. In this study, researchers used different measuring instruments, namely local public accountants who are foreign affiliates and non-foreign affiliates. Assuming if the quality of the audit is good, it does not need to come from a big four accounting firm. Many local public offices have good audit quality. They can also audit financial statements listed on the IDX. A large accounting firm may not necessarily be able to get better financial statements than a small office, if the resources obtained are not used optimally to give opinions independently ([Widiastuty, 2010](#)).

In the results of research from [Sari & Rahmi, \(2021\)](#), the reputation of auditors has a positive and significant effect on the quality of audits. This is because the public trusts the results of audits made by auditors who have foreign affiliates more than those who are not foreign affiliates. Some assume that foreign-affiliated public accounting firms are much better at implementing audit standards and are assisted by professional and independent resources. This research is similar to the research conducted by [Permatasari & Astuti, \(2019\)](#), which also revealed that auditors' reputation influences audit quality. Public accounting firms with good reputations maintain their reputation by providing good audit quality. Likewise, the results of research from [Effendi & Ulhaq, \(2021\)](#) revealed that the reputation of public accounting firms affects the quality of audits. There are differences in audit quality between reputable public accounting firms and non-reputable public accounting firms. So the hypothesis proposed is **H2: The auditor's reputation positively affects the quality of the audit.**

In addition, the quality of the audit can also be seen from the size of the accounting firm that audits a company. The size of an accounting firm is a distinction between the size and size of an accounting firm based on the number of clients, and the number of auditors and partners owned by an accounting firm ([Hamdani & Hartati, 2019](#)). Until now, most of the public views that big firm accounting (big four) has more quality than small accounting firm (non big four). However, there are several cases involving auditors from the four major accounting firms, for example the Enron case controlled by Arthur Andersen, the Satyam case controlled by PwC, or the Lehman Brothers and Toshiba cases controlled by EY ([Tjun, 2019](#)). The findings of the initial research of [Astri et al., \(2018\)](#), revealed that the size of the accounting firm well influences the quality of audits. In contrast to the findings of [Palalangan et al., \(2017\)](#), which revealed that the size of the accounting firm does not influence the quality of audits. Differences in the results of this variable study remain unanswered, requiring additional testing ([Fajrina & Rohkhatim, 2021](#)). In this study, researchers used proxies for the number of public accountants and auditor professionals recorded in the Financial Professional

Development Center (P2PK) data.

Research by [Effendi & Ulhaq, \(2021\)](#) shows that if the size of an accounting firm has a good impact on the quality of audits, then the quality of audits will increase as the size of accounting firms increases. The research of [Astri et al., \(2018\)](#) which revealed that the size of the accounting firm improves the quality of audits. To provide a better audit quality than a smaller accounting firm, for example, a local or national accounting firm, a large accounting firm usually makes no concessions regarding the quality of the audit. This opinion is also driven by the research of [Amrulloh & Amalia, \(2020\)](#) which states that auditors who are members of the accounting firm of the Big Four have more integrity, skills and characteristics that can be linked to improving the quality of audits. The hypothesis proposed is, H3: The size of the accounting firm positively affects the quality of the audit.

One factor that can cause significant attention is the economic bond between auditors and clients. This economic bond is reflected in the form of fees or fees provided by clients to auditors for their audit services ([Asthana & Boone, 2012](#)). According to [Indriani et al., \(2020\)](#), audit fees are returns obtained by auditors for the results of audits of financial statements and cooperation carried out with certain clients or parties. The amount of this fee poses a dilemma for the auditor, on the one hand the auditor is required to be independent in carrying out his duties while on the other hand the demands from the client because the client has paid a fee for services, so the client must be satisfied with the results of the audit. Research related to audit fees has been carried out. [Cahyati et al., \(2021\)](#) revealed that audit fees can affect the quality of audits, audit fees can increase if the level of difficulty of the audit carried out is also high. In contrast to the research conducted by [Santhi & Ratnadi, \(2017\)](#), which ensures that audit fees negatively influence audit quality. The amount of audit fee received can reduce audit quality.

[Amrulloh & Amalia, \(2020\)](#) stated that the quality of audits is better if the audit fee is also high. This research is in line with the results of research conducted by [N. Andriani & Nursiam, \(2018\)](#) and [Prabhawanti & Widhiyani, \(2018\)](#) which revealed that the greater the reward for services provided to the accounting firm allows the accounting firm to carry out more detailed procedures so that the quality of the audit obtained is also superior. The hypothesis proposed is, H4: Audit fee affects the positive quality of audits.

This research is based on entity theory and agency theory. In entity theory, the concepts used are management and accountability. Business entities are concerned with the stage of business continuity, financial data, and company performance. Financial information is used for equity owners to meet needs such as legal and establish good ties with other equity owners to achieve the desire to obtain funds in the future ([Paton, 1962](#)). Entity theory also describes accountability and responsibility for disclosing information to users of financial statements similar to the existing regulatory

framework. From [Lawrence and Fogarty \(1993\)](#), explain that to meet the needs of interested parties (stakeholders) of each business entity carrying out their business activities. In this case, the business entity in question is an accounting firm. Meanwhile, the Agency theory emphasizes that it is necessary for shareholders, to give confidence to professionals called agents who usually carry out or process daily business activities ([Tandiontong, 2015](#)). The services of auditors are indispensable, it can be explained in this theory. Companies and business entities are growing rapidly, it can cause conflicts between agents and principals. The emergence of conflicts is due to differences in virtues between owners and agents, so a third party is needed to handle conflicts to reduce this agency problem.

The object of this study is the company that carried out the IPO. Researchers choose companies that carry out IPOs because of the high number of companies that list their shares on the IDX, CNBN Indonesia conveyed this that until September 2021, the Southeast Asia region was still in the highest position as the number of companies that listed their shares on the Indonesia Stock Exchange. The IPO is considered the first important stage in the company's evolution, because with this decision, it will change the company's overall structure. This is what makes IPO companies very interesting to research.

This study aims to determine the influence of audit tenure, auditor reputation, accounting firm size and audit fees on audit quality, especially in companies that conduct IPOs in 2021. The results of this study are expected to provide an overview for users of financial information to consider the selection of auditors in auditing their company's financial statements for IPO needs.

METHOD

Type

This type of research is quantitative with causal associative. According to [Sugiono \(2015: 55\)](#), causal associative research is a study that tests the relationship between 2 or more variables. Associative research uses quantitative techniques with systematic, planned, and structured characteristics with a clear design. The data analysis uses secondary data for each company that conducts an IPO in 2021. Secondary data is obtained from financial statements in the prospectus of companies that carry out IPOs and are listed on the IDX in 2021 and published on the website www.idx.co.id.

Population and Sample

Companies that carry out initial public offerings (IPOs) that were successfully listed on the Indonesia Stock Exchange in 2021 are the population of this study. Purposive sampling is applied by involving the following criteria :

- 1) IPO business traded on the Indonesia Stock Exchange.
- 2) Businesses that go public in 2021 and are listed on the Indonesia Stock Exchange.

- 3) Businesses that offer comprehensive prospectuses
- 4) Businesses outside the big four that accounting firms have controlled

In 2021, 54 companies were obtained that carried out IPOs and were listed on the Indonesia Stock Exchange. The sample obtained from the population of 42 companies is based on predetermined criteria. According to researchers, the data is sufficient to obtain the desired research results.

Operational Variabel

Research variables include audit quality, audit tenure, auditor reputation, kap size and audit fees. The following is understanding the operational definition of each of these variables.

Audit Quality

In this study, the proxy used to measure audit quality is the Earning surprise benchmark from [Carey & Simnett \(2006\)](#) in using company profit management, whether auditors have the ability to disclose and convey related to profit management or not. The earning surprise benchmark used is among $\mu + \sigma$ serta $\mu - \sigma$, whereas $\mu =$ ROA average and $\sigma =$ ROA Deviation Standard in year of companies that conducted IPOs in the year 2021. By looking at the ROA included in the benchmark or not. If ROA is within the benchmark ($\mu - \sigma < \text{ROA} < \mu + \sigma$) has a meaning if the quality of the audit is good. If the ROA is outside the benchmark ($\text{ROA} > \mu + \sigma$) or ($\text{ROA} < \mu - \sigma$) then it means poor quality control.

Audit quality is divided into 2 categories:

1 = ($\mu - \sigma < \text{ROA} < \mu + \sigma$), signifies high audit quality

0 = ($\text{ROA} > \mu + \sigma$) atau ($\text{ROA} < \mu - \sigma$), signifies low audit quality.

Audit Tenure

Measurement of the engagement period using the number of years the auditor carries out the engagement ([Laili 2020](#)). This can be seen from the numbering of independent auditor reports per the standards determined by the Financial Professional Development Center (PPPK). The standard that has been set is based on circular Number SE-6 / PPPK / 2018 regarding standardized report numbering guidelines to make it easier for stakeholders to identify reports published by accounting firms and KJPP. Numbering provisions on the professional license number code added 1 (one) number indicating the period of the year in which the audit service is provided to the client signed.

Auditor's Reputation

The measurement used for auditor reputation is dummy, 1 = non-big four accounting firm is foreign affiliated and 0 = non-big four accounting firm is not foreign affiliated ([Empiris et al., 2020](#)).

Accounting Firm Size

The size of an accounting firm is the differentiation of an

accounting firm into large or small. Large accounting firms are believed to have the best auditing ability compared to small ones. This time the proxy size of the accounting firm used comes from the number of professionals (public accountants and staff) ([Aldona & Trisnawati, 2016](#)).

Audit Fee

Audit fees are proxied with professional fees paid by its client companies based on a percentage of the Public Accountant's fees from the total Initial Public Offering Value listed on the prospectus. This fee is part of the cost of issuing shares. The audit fee variable uses a natural logarithm proxy of the total audit fee obtained from the financial prospectus.

Data Analysis Methods

Hypothesis testing in this study uses logistic regression because the dependent variables are non-metric (two or more) categories. Logistic regression can also be used to test whether the probability of a bound variable occurring can be predicted with its free variable. Here is the formulation of the study:

$$\ln\left(\frac{\pi}{1-\pi}\right) = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Information:

ln = Audit quality

a = Constant

β_1 = Variable coefficient X1

β_2 = Variable coefficient X2

β_3 = Variable coefficient X3

β_4 = Variable coefficient X4

e = Error standards or error rates

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical tests have the aim of obtaining a summary of research information so that the data is easy to read. Descriptive statistics describe the most, least and average values of the sample.

[\[Table 1 about here.\]](#)

Overall Model Test Results

Research operations using logistic regression will produce 2 models through the calculation system carried out, namely:

[\[Table 2 about here.\]](#)

In [table.2](#), information can be obtained if the test uses a comparison of values between the initial -2 Log Likelihood (-2LL) (block number = 0) and the final -2 Log Likelihood (2LL) value (block number = 1). The initial value in the table -2LL was obtained 41.195 then after the inclusion of the three independent variables, a value of 33.747 was obtained a decrease in the final value of -2LL. This Likelihood log decrease ensures good results; this regression model is best or arguably that the data corresponds to the hypothesized model.

Because there is no significant difference between the predicted classification and the discussed one, the conclusion that can be drawn from the first step of this analysis is that the regression model can be used in future analysis.

Regression Model Feasibility Test Results

In addition, another alternative testing that can be used is to look at the value of the Hosmer and Lemeshow test.

[\[Table 3 about here.\]](#)

The test of this model has a benchmark: if the sign > 0.05 , then the model can be obtained. Table 3 shows that the Hosmer-Lemeshow Test value is 7.360 with a significant profitability value of 0.498, meaning the significance value is the largest of 0.05. The conclusion obtained from the table above is that the model used is suitable and can predict the variables in the study so that it can be used in the next analysis.

Coefficient of Determination Test Results (Nagelkerke R Square)

[\[Table 4 about here.\]](#)

[Table 4](#) gives the Nagelkerke R Square value of 0.310, this event states that all the variables studied were able to describe the quality of the audit (dependent variable) by 31%, while 69% were influenced by other variables that were not taken in this study.

Model Accuracy Test Results

[\[Table 5 about here.\]](#)

The percentage of model accuracy in classifying observations was 83.3%. The regression model has a prediction accuracy of 37.5% in predicting poor audit quality. It is intended that of the 8 organizations with weak audit quality, 3 organizations are estimated to have weak audit quality. Meanwhile, to predict a high audit quality of 94.1%, which means that out of 34 companies will get superior audit quality of 32 companies will get superior audit quality.

Hypothesis Test Results

[\[Table 6 about here.\]](#)

[Table 5](#) above shows that tenure audits have a significance value of 0.262 the largest of 0.05 with a coefficient value (B) of -0.284 and a negative value. Then audit tenure has an insignificant negative effect on audit quality. For the variable The auditor's reputation has a significant value of 0.034 at least 0.05 with the coefficient value (B) being -2.571 and the coefficient being negative. Then the auditor's reputation significantly negatively affects the quality of the audit. While the variable The size of the accounting firm has a

significant value of 0.693 the largest of 0.05 with the coefficient (B) value of -0.001, the coefficient is negative. Then the size of the accounting firm affects the quality of the audit. The Fee Audit variable has a coefficient value (B) of 0.100, a positive coefficient, and a significance value of 0.868 which is the highest value of a possible 0.05. Audit quality is not significantly improved by Audit Fee.

Model interpretation is carried out to find out the binary logistic regression model on the quality of audits resulting from the following variables:

$$\pi(x) = \frac{\exp(g(x))}{1 + \exp(g(x))}$$

whereas:

$$g(x) = 1,279 - 0,284X_1 - 2,571X_2 - 0,001X_3 + 0,100X_4$$

The interpretation of this parameter's coefficient is carried out to ascertain the tendency between the independent and dependent variables. Part of the measure used to interpret the coefficient of the predictor variable is said to be the odds ratio. Here are the odds ratio results:

[\[Table 7 about here.\]](#)

According to the table above, we can interpret the Odds Ratio that the longer the audit tenure, the tendency of the company's audit quality to be good becomes 0.752 times. Companies controlled by reputable accounting firms tend to improve audit quality to 0.076 times. Then with the size of the accounting firm that audits the company, the tendency of good audit quality increases to 0.999 times. The greater the audit fee given, the tendency of good audit quality to increase to 1.105 times.

Discussion

Effect of Tenure Audit on Audit Quality

The audit tenure does not affect the quality of the audit, as with the results of the data analysis test used to test the first hypothesis. The audit tenure variable has a beta coefficient of -0.284 and a significant stage of magnitude 0.262 with the highest value of 0.05, as indicated by data analysis. This shows that the quality of the audit is not influenced by the length of the auditor's engagement so that it will reduce the auditor's independence. The findings of this study are inconsistent with other studies ([Hasanah & Putri, 2018](#)), which confirms that auditors will be more familiar with the business the longer their tenure. However, this can also help auditors in understanding the company being audited.

The results of this study provide evidence that it is not in line with the entity theory which explains that business entities in this case accounting firms carry out their activities to meet the needs of interested parties. An agreement arises between the company and the auditor in carrying out these activities. The longer the engagement period will affect the quality of the audit, there will be closeness between the client and the

auditor so that it can reduce independence.

The length of the audit engagement does not necessarily affect the quality of the audit, this incident is in line with the Financial Services Authority Regulation regarding restrictions on the use of audit services. Public accountants who provide control services for historical financial statements at most may only audit consecutively for 3 (three) reporting financial years ([Financial Services Authority Regulation, 2017](#)). With the restriction on the provision of audit services so that auditors do not have a close relationship with clients which can cause accounting scandals that can affect independence. In addition, the accounting firm is given 3 years, this time is considered sufficient to assist the auditor in understanding the company being audited, so that this does not affect the quality of audit.

The Effect of Auditor's Reputation on Audit Quality

From the results of the data analysis test, the result for the second hypothesis is that the auditor's reputation influences the quality of the audit. Based on data analysis, the beta coefficient figure for the auditor's reputation variable is -2.571 and the significance level is 0.034 is the smallest than 0.05. This means that the second hypothesis is encouraged by the results of this study, the reputation of the auditor has an influence on the quality of the audit. The results of this study align with agency theory, which reveals that independent auditor services are needed to become third parties that reduce conflicts between agencies so that quality financial reports are produced. For this reason, a professional and independent auditor is needed, in this case the public believes that auditors who started from a foreign affiliated accounting firm have good audit quality results.

The results of this study support [Sari & Rahmi's research \(2021\)](#) regarding public trust in auditor results starting from foreign - affiliated accounting firms rather than with non-foreign affiliates. In addition, the results of this study are also in line with regulations related to financial statement audit services for the 2021 financial year. State - Owned Enterprises will only be carried out by 12 accounting firms affiliated with state-owned foreign audit service firms, (2021). Not only that, the 12 accounting firms can also conduct audit services on subsidiaries or companies affiliated with SOEs. So we can see that currently the reputation of auditors has become quite important. Foreign-affiliated accounting firms have more public trust than non-foreign affiliated accounting firms, because of the assumption that foreign-affiliated accounting firms are much better at implementing audit standards and are assisted by professional and independent resources.

Effect of Cap Size on Audit Quality

The third hypothesis tested in this study is that the size of the accounting firm influences the quality of audits. The analysis results confirmed that the beta coefficient for the accounting

firm size variable is -0.001, as well as the significant degree of magnitude 0.693 which is the highest possible value of 0.05. indicates that the audit quality is not affected by the size of the accounting firm. This research is not in line with the findings of [Halifah & Dwirandra, \(2018\)](#), which ensures that the quality of audits improves with the size of larger accounting firms.

The results of this study do not provide evidence in line with the agency theory, which states that the services of independent auditors as third parties are needed in the hope that the existing agency conflicts in the company can be reduced. By being audited by a large accounting firm, the quality of the audit results can be further improved. In this study, the size of the accounting firm as measured by the number of public accountants and auditor staff in this study could not necessarily affect the quality of the audit.

In audits for IPO companies, there are requirements for Accounting Firms that can conduct audit services for companies that go public, namely AP and accounting firms must be registered with the Financial Services Authority and have competencies based on the complexity of the business of the Party Implementing Financial Services ([Financial Services Authority Regulation, 2017](#)). Thus, accounting firms that perform audit services in companies whose IPOs have met the criteria of the OJK, and of course, each of these accounting firms has competence to perform audit services properly for companies that conduct IPOs.

Effect of Audit Fee on Audit Quality

The result of the fourth hypothesis test proposed in this study is that the audit fee has an influence on the quality of the audit. The results of the analysis show that the beta coefficient in the accounting firm size variable is 0.100 and the significant stage is 0.868 is the largest than 0.05. This means that the audit fee does not affect the quality of the audit. These results also do not support the theory used. In entity theory, each business entity carries out its activities to meet the needs of interested parties. The auditor carries out its activities and the company rewards the auditor for the services used. The company will provide service rewards per existing contracts and conditions, so this does not affect the quality of the audit.

The findings of this study are not the same as the research of [Cahyati et al., \(2021\)](#) which revealed that the quality of audits correlates with audit fees. Fees for public accountants, legal consultants, notaries, underwriters, stock listings, stock administration, collective custody of shares, advertising, printing prospectuses, and other services, including costs associated with the audit of the IPO company. With various service fees, many parties are involved. According to (IDX, 2015) going public usually requires a fee that is less than 5% of the company's total funds, so although the company

receives more money, the cost will usually be lower. Based on this research data, the percentage range of public accountant services is 0.0286% - 5.63% of the initial public offering value. This range is obtained from the financial prospectus of companies that conduct IPOs in 2021.

Based on the percentage of costs seen from the financial prospectus, it can be seen that the audit fees provided to public accountants reflect reasonably based on application demands and standards so that the audit fee does not affect the quality of the audit. In addition, for the IPO process itself, through strict requirements and procedures so that in carrying out their duties, the public accountant is obliged to exercise control following predetermined standards and regulations, as a result of not causing the results of unqualified audit work.

CONCLUSION

The following are the conclusions that can be drawn from the findings of this study. Audit quality is significantly affected by auditor reputation variables, which are demonstrated by logistic regression testing. These findings suggest that the auditor's reputation will affect the quality of the audit. Auditors from foreign-affiliated accounting firms are assumed to be much better at applying standards and are supported by professional and independent resources. Meanwhile, audit tenure variables, accounting firm size, and fees do not significantly affect audit quality. From the results of this study, limitations and shortcomings are still obtained. Therefore, the researcher suggested that the next study is expected to be able to multiply or update the number of other independent variables that can influence the quality of audits of companies that carry out IPOs, such as auditor competence, quality control, and the use of the time of key personnel engagement. In addition, the next researcher is expected to increase the number of samples; this number of samples will affect the results of the study. A small sample will lead to low statistical test strength, resulting in a lack of identification of differences or significant effects that exist from the study. Researchers are then expected to have sufficient place and time to obtain data as a measurement tool so as not to use dummy variables.

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Table 1 / Hasil Analisis Statistik Deskriptif

Variabel	N	Paling Sedikit	Paling Banyak	Mean	Std. Deviation
<i>Audit tenure</i>	42	1	10	2,10	1,574
Reputasi auditor	42	19	638	218,24	210,865
<i>Fee audit</i>	42	18,81610	22,96384	20,1927350	,73802261

Sumber : Hasil olah data, 2022

Table 2 / Hasil Uji Keseluruhan Model Regresi

Keterangan	Nilai
<i>-2log likelihood</i> awal (<i>-2LL block number = 0</i>)	41,195
<i>-2log likelihood</i> awal (<i>-2LL block number = 1</i>)	33,747

Sumber : Hasil olah data, 2022

Table 3 /Hasil Uji Kelayakan Model Regresi

<i>Step</i>	<i>Chi-square</i>	<i>Df</i>	<i>Sig.</i>
1	7,360	8	,498

Sumber : Hasil olah data, 2022

Table 4 /Hasil Uji Koefisien Determinasi (Nagelkerke R Square)

<i>Step</i>	<i>-2 Log likelihood</i>	<i>Cox & Snell R Square</i>	<i>Nagelkerke R Square</i>
1	31,907	,193	,310

Sumber : Hasil olah data, 2022

Table 5 /Hasil Uji Ketepatan Model

<i>Observed</i>	Kualitas audit lemah	Kualitas audit unggul	<i>Percentage Correct</i>
Kualitas audit lemah	3	5	37,5
Kualitas audit unggul	2	32	94,1
<i>Overall percentage</i>			83,3

Sumber : Hasil olah data, 2022

Table 6 /Hasil Uji Hipotesis

No.	Variabel	B	Sig.	Exp(B)
1	Audit tenure	-,284	,262	,752
2	Reputasi auditor	-2,571	,034	,076
3	Ukuran KAP	-,001	,693	,999
4	Fee Audit	,100	,868	1,105
	Constant	1,279	,914	3,592

Sumber : Hasil olah data, 2022

Table 7 /Odds Ratio

<i>No.</i>	<i>Variabel</i>	<i>Exp(B)</i>
1	Audit <i>tenure</i>	,752
2	Reputasi auditor	,076
3	Ukuran KAP	,999
4	<i>Fee</i> Audit	1,105
	<i>Constant</i>	3,592

Sumber : Hasil olah data, 2022