



THE EFFECT OF AUDIT TENURE, AUDIT FEE, AUDIT FIRM SIZE, AND AUDITOR SPECIALIZATION ON AUDIT QUALITY IN NON-BANK FINANCIAL INDUSTRY COMPANIES (2017-2019)

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Abstract

The purpose of this study is to examine how audit tenure, audit fee, auditor specialization, and the size of public accounting firms (KAP) affect the quality of audits in non-bank financial corporations that are listed on the Indonesia Stock Exchange between 2017 and 2019. Purposive sampling was employed, and over three years, 69 observations from 23 companies were obtained. With audit quality as the dependent variable, logistic regression was used to analyze the data. The study's findings show that audit fees significantly impact audit quality, but audit tenure, PCA size, and auditor specialization have no discernible effects. These data support the premise that higher audit fees enable auditors to conduct more thorough and higher-quality audit procedures. When it comes to evaluating the elements that affect audit quality, this study has significant ramifications for businesses and investors. Therefore, choosing qualified and impartial auditors is essential to enhancing the validity of financial reports.

Keywords: audit tenure, audit fee, KAP size, auditor specialization

INTRODUCTION

High-quality audits are the foundation for accountability and transparency in corporate financial reporting. Because of the high risk and complexity of transactions in the non-bank financial sector, the role of the auditor is becoming increasingly important. Inaccurate financial reporting can lead to bad decisions for regulators and investors. Consequently, a more thorough and contextualized analysis of the factors affecting audit quality is required. An inadequate audit could let a company down and harm the audit profession's reputation. This emphasizes how crucial it is to put into practice variables that can raise or lower audit quality.

The duration of the working relationship between the auditor and the client, or audit tenure, is one topic that frequently garners attention. Because of the growth of personal intimacy, an

extended connection is seen to weaken the auditor's independence. However, an excessively brief working period may also make it more difficult for the auditor to understand the business's operational complexity. Thus, it's critical to conduct an empirical assessment to determine whether the length of the relationship actually influences the caliber of the audit findings. This study contributes by directly examining the impact of audit tenure in the non-bank financial sector, an area that has received little attention. Regulators can use the implications of these findings to inform the development of auditor rotation policy.

The magnitude of the audit fee is another important metric for assessing audit quality, in addition to tenure. In fact, audit fees are frequently used as a proxy for the audit's complexity. More highly compensated auditors typically carry out more thorough procedures. Nonetheless, there is also worry that excessive audit costs could make auditors more reliant on particular clients. Therefore, solid empirical evidence is required to examine the impact of audit fees on audit quality. Data from the non-bank financial sector, which has distinct features of its own, is used in this study to fill this gap.

The Public Accounting Firm's (PAF) size is also seen as a significant factor in determining how well audit quality is preserved. Large PAFs, particularly those in the Big Four, are frequently associated with more thorough and higher-quality audits due to their more robust internal control systems and resources. Size does not, however, always equate to quality because individual auditor oversight is also an important consideration. Non-Big Four KAPs are used by many medium-sized businesses, and they continue to maintain a positive reputation for auditing. Understanding the significance of KAP magnitude must thus be separated from popular perceptions. In the non-banking industry, this study attempts to elucidate whether KAP size actually influences audit quality.

Another factor that could affect the level of analysis conducted throughout the audit process is the auditor's specialization. It is thought that auditors who focus on a particular industry are better equipped to recognize particular hazards and modify pertinent audit protocols. However, due to financial or geographic constraints, not all businesses have access to expert auditors. Therefore, it is crucial to comprehend the implications of auditor specialization for small and medium-sized businesses in addition to determining whether it has an impact on quality. The significance of specialization in the Indonesian setting is clarified by this study. Businesses can utilize the findings to create sector-specific risk auditor selection guidelines.

The necessity of fortifying Indonesia's audit system has been brought to light in recent years by instances of financial statement manipulation and audit scandals, such as the Jiwas Raya and Garuda Indonesia incidents. Many people think that the primary reasons why financial issues are

not identified early on are inadequate oversight and subpar audits. The efficacy of legislation and the function of auditors in preserving the integrity of financial accounts are called into doubt by this circumstance. Empirical research that looks at the factors that affect audit quality is therefore very pertinent. It is anticipated that the study's conclusions will be a valuable resource for auditors, regulators, and business executives. In order to preserve the caliber of financial reporting, policy, profession, and company practices must work together harmoniously.

Prior studies have mostly concentrated on the banking or industrial industries, with comparatively little attention paid to the non-bank financial sector. Nonetheless, this industry has special traits like intricate financial agreements, stringent laws, and a high susceptibility to systemic risk. As a result, the non-bank financial sector may not always be covered by generalizations made from other industries. By using empirical data from a more specialized industry, this study seeks to close this gap. The findings of this study are expected to give a more realistic view of the dynamics of audit quality in the non-bank industry. Additionally, this will improve Indonesian accounting literature.

The evolution of the auditing profession in Indonesia, which is presently dealing with the demands for information transparency and the challenges of digital transformation, is also supported by this study. Auditors now need to be able to adapt to technology and comprehend the complexities of the industries their customers operate in; technical proficiency alone is no longer enough. In order to prepare auditors to handle the complexity of contemporary business, research on the elements that affect audit quality is crucial. Higher education schools might potentially utilize the study's findings to create better contextualized accounting and auditing programs. Professional development for auditors must include contextual knowledge of field practice difficulties in addition to certification. This study adds to the body of actual data supporting these quality enhancements.

Over time, the stability of the entire financial system is positively impacted by high-quality audits. The market can become more efficient by lowering the danger of information asymmetry through quality audits. Financial statements that have undergone an independent, professional audit are more trusted by creditors and investors. As a result, improving audit quality will boost economic growth and the investment climate. Supporting a robust and responsible accounting environment starts with this study. For a variety of stakeholders, it offers both an academic and a practical contribution.

Lastly, it is anticipated that this study will improve scientific discussions and accounting procedures in Indonesia to address issues of accountability and transparency. The empirical data used in this study were statistically analyzed using a quantitative approach, yielding objective findings. Future research that broadens the range of industries or variables examined can use the

findings of this study as a guide. To make better decisions, researchers, practitioners, and regulators can use the findings of this study as a foundation. As a result, the outcomes encourage improved financial governance in various ways. This study offers practical solutions to audit problems in Indonesia in addition to providing theoretical answers.

Auditors must maintain independence while auditing financial statements to ensure audit quality. In Indonesia, the Ministry of Finance has established regulations to preserve auditor independence. In 2008, Regulation no. 17/PMK.01/2008 was issued, which specified that audit services from a Public Accounting Firm (KAP) could be provided for up to six consecutive years, and individual auditors could be engaged for up to three successive years. This regulation aims to prevent auditors from becoming too familiar with their clients, which could jeopardize their objectivity. Later, in 2015, the Ministry of Finance issued Government Regulation No. 20/2015, Article 11, which further restricted the duration of audit service provision to five consecutive years for public accountants. Despite these regulations, there have been numerous instances of financial fraud and profit manipulation, suggesting a potential lack of independence among auditors. This study aims to investigate the simultaneous and partial relationships among audit tenure, audit fees, KAP size, and auditor specialization and audit quality.

Audit quality refers to the ability of auditors to detect and report violations by conducting audits in accordance with established standards. According to the Ministry of Finance Regulation No. 17/PMK.01/2016, which outlines the Professional Standards for Public Accountants (SPAP), audit quality is a measure of the auditor's competence in performing audits. The role of the auditor is to provide an unbiased opinion on the financial statements, ensuring the reliability of the information presented to stakeholders. One key factor influencing audit quality is audit tenure, which refers to the duration of the engagement between the auditor and their client. Longer audit tenures may lead to closer relationships between auditors and management, raising concerns about the potential loss of auditor independence. This loss of independence may, in turn, impact the auditor's objectivity and the quality of their audit results. Research by (Ariani et al., 2023) suggests that long-term relationships between auditors and clients may cause auditors to be less objective, affecting the accuracy of their judgments. Conversely, shorter tenures can help preserve auditor independence, allowing them to maintain objectivity in the audit process.

Audit fees, which refer to the amount charged by auditors for their services, are another important factor influencing audit quality. Audit fees are typically determined based on the complexity of the audit, the time required for the audit process, and the number of staff needed to complete the task. According to (Arifin et al., 2020), the audit fee is an important determinant in ensuring a thorough audit. Research by (Sujianto & Azmi, 2020) suggests that higher audit fees

lead to more extensive audit procedures, which may result in higher audit quality. This relationship is confirmed by (Nursiam et al., 2021), who found that audit fees have a positive relationship with audit quality. This suggests that clients willing to pay higher fees tend to undergo more comprehensive audits, leading to higher audit quality. Similarly, research by (Ariani et al., 2023) shows that there is a significant relationship between audit fees and audit quality, further validating the hypothesis that higher audit fees lead to better audit quality.

KAP size is another crucial factor that may affect audit quality. DeAngelo (1981) argued that larger KAPs, particularly the Big 4 accounting firms, are likely to perform higher-quality audits due to their greater independence from clients, better resources, and a broader range of expertise. Larger KAPs are less reliant on any single client, which allows them to maintain greater objectivity and professional skepticism during the audit process. According to (Arifin et al., 2020), the larger size of KAPs is associated with better audit quality because they have more clients, leading to greater industry knowledge, which enables auditors to detect potential issues more effectively. Additionally, large KAPs have more resources, including personnel and technology, which enhance their ability to conduct thorough audits. This increased capacity to audit independently and professionally contributes to the higher audit quality that is typically associated with large KAPs.

Auditor specialization also plays a significant role in audit quality. (Sujianto & Azmi, 2020) states that auditors who specialize in a particular industry are more likely to produce higher-quality audits due to their deeper understanding of the industry-specific risks and issues. Specialized auditors are more knowledgeable about the internal controls and risk management systems of companies in the same industry, which allows them to detect errors or irregularities more effectively than non-specialized auditors. (Nursiam et al., 2021) support this view by demonstrating that clients audited by specialized auditors tend to have lower discretionary accruals, indicating better audit quality. This is further supported by (Eny & Mappanyukki, 2020), who argue that specialized auditors possess greater expertise and knowledge, allowing them to identify mistakes and deviations more easily than non-specialized auditors. Auditor specialization, therefore, contributes significantly to the detection of errors and improves overall audit quality.

The study's hypotheses were developed based on the theoretical framework and prior research to investigate the simultaneous and partial effects of audit tenure, audit fees, auditor specialization, and the size of public accounting firms (PAFs) on audit quality. These four independent factors together affect audit quality, according to the first hypothesis (H1). In part, the second hypothesis (H2) examines how audit tenure affects audit quality, the third hypothesis (H3) examines how audit fees affect audit quality, the fourth hypothesis (H4) examines how PAF size affects audit quality, and the fifth hypothesis (H5) examines how auditor specialization affects audit

quality. These five hypotheses are predicated on the idea that each component has a significant role in influencing the efficacy and dependability of audit findings. Maintaining the integrity and openness of financial reports in the non-bank financial business sector requires an awareness of the link between these factors, especially in light of the growth of audit legislation and standards.

RESEARCH METHODS

This study used a quantitative methodology to examine the impact of auditor specialization, audit tenure, audit fees, and the size of public accounting firms (KAP) on audit quality. Because, it can yield objective results that can be statistically measured, the quantitative approach was selected. The study's secondary data came from annual reports of the companies. Companies in the non-bank financial sector that were listed between 2017 and 2019 on the Indonesia Stock Exchange (IDX) are the subject of this study. To get a more complete view, panel data is used for three years. The void in the literature about audits in the non-bank sector should be filled by this study.

Purposive sampling, a method for selecting samples based on particular criteria in accordance with the study aims, was used to obtain the research sample. Non-bank businesses that have been regularly listed on the IDX and have comprehensive financial reports covering the years 2017–2019 are among the criteria considered. Based on the results of the selection process, 23 companies totaling 69 observation units were chosen as samples. The calculation of the observation units was based on the observation duration of three years multiplied by 23 companies. In order to make sure that the data collected matched the variables to be examined, this method was selected because it was thought to be more pertinent. Valid analysis outcomes depend on the data's suitability for the research variables.

The study's dependent variable, audit quality, is dichotomously quantified; high-quality audits have a value of 1, while low-quality audits have a value of 0. The Big Four Public Accounting Firms and the auditor's standing in the financial statements of the company are used to determine the quality of the audit. In the meantime, audit tenure, audit fees, KAP size, and auditor specialization make up the independent variables. The duration of the auditor's working relationship with the client during the observation period is used to calculate the audit tenure. The ratio of audit expenses to total assets is used to compute audit fees. The focus on a specific industry area determines the auditor's specialization, and the size of the public accounting company determines its classification.

Logistic regression is the analysis method employed in this study since the dependent variable is categorical (dummy). The simultaneous and partial impacts of the four independent factors on audit quality are tested using logistic regression. The SPSS version 24 program was used to do the analysis. Based on the characteristics examined, the study's use of logistic regression

attempts to calculate the likelihood of high-quality audits. This method also offers a robust understanding of the causal link between variables. A 95% confidence level or significance level of 0.05 is applied when using the significance test. The formula for the logistic regression equation utilized in this investigation is:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon. \dots\dots\dots (1)$$

Where the regression coefficients for each independent variable are β_1 to β_4 , the constant is β_0 , and the dependent variable is audit quality (Y). Audit tenure (X1), audit fee (X2), KAP size (X3), and auditor specialization (X4). The error term, ε , on the other hand, indicates the degree of mistake in the model. The relationship between each variable and audit quality is examined using this equation as the foundation.

RESULTS AND DISCUSSION

The purpose of this study is to examine how audit tenure, audit fee, auditor specialization, and the size of public accounting firms affect the quality of audits in Indonesian non-bank financial organizations. The simultaneous and partial impacts of each independent variable on the dependent variable were tested statistically using logistic regression. From 2017 to 2019, 23 companies' annual reports provided the data needed, yielding 69 observations. High audit quality was denoted by a value of 1, and bad audit quality was denoted by a value of 0. All variables, particularly audit tenure and audit fees, varied significantly, according to descriptive data. The descriptive statistical findings for every variable are as follows:

Table 1
Statistics Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
		Statistics	Statistics	Statistics	Statistics
Audit Quality	69	0.00	1.00	0.4203	0.49722
Tenure Audit	69	0.00	3.00	0.6522	1.02650
Audit Fee	69	0.18	0.26	0.2152	0.01608
KAP Size	69	0.00	1.00	0.3478	0.47977
Auditor Specialization	69	0.00	1.00	0.2609	0.44233
Valid N (Listwise)	69				

Source: Processed Data 2021

From table 4.1 above, then explained that the value of n shows the amount of data in study this, namely A total of 69 data was obtained from sample study during period 2017-2019. Minimum *tenure* value audit of 0 which means that company have lowest audit *tenure* whereas mark maximum *tenure* audit of 3 which means that company have the highest audit *tenure* between company sample. The average value of audit *tenure* for 2017-2019 is of 0.4032 with standard deviation of 0.49722.

The minimum audit *fee value* is 0.18 which is obtained Financial Industry Company Non-Bank which means that company have the lowest audit *fee* whereas mark maximum audit *fee* of 0.26 obtained Financial Industry Company Non-Bank means that company have the highest audit *fee*. The average value of audit *fees* in 2017-2019 was of 0.6522 with standard deviation of 1.02650. The average audit *fee value* is 0.6522, the value the can interpreted that the magnitude cost incurred for audit is of 0.6522.

The average value of the KAP Size of 0.3478 is smaller than the standard deviation of 0.47977. This shows that the company's KAP size data for 2017-2019 varies. The minimum KAP size value of 0 indicates that the KAP size does not have a quality KAP. The maximum value of the KAP size is 1, which means that the company has 1 quality KAP size. In the Auditor specialization variable, the average value is 0.2609, the average is smaller than the standard deviation of 0.44233. This shows that the auditor specialization data in 2017-2019 varies. The minimum value is 0. The maximum value is 1. The dependent variable of audit quality has a mean of 0.4203. The average is smaller than the standard deviation of 0.49722. This shows that audit quality in 2017-2019 is variable. The minimum value of audit quality is 0 and the maximum value is 1.

The descriptive statistics table shows that the majority of the samples were not audited by reputable public accounting firms, as indicated by the average audit quality value of 0.4203. The average audit tenure of 0.6522 suggests that many businesses only work with auditors for a little period of time. With an average audit fee of 0.2152, the range of audit expenses is rather small. The averages for KAP size and auditor specialization are likewise less than 0.5, suggesting that the majority of businesses do not employ Big Four or specialized auditors. Significant variation between organizations is shown by the comparatively high standard deviation. This emphasizes how crucial it is to carry out additional testing using logistic regression.

Table 2
Variables in the Equation

Variabel	B	Sig.	Exp(B)
Audit Tenure (X1)	0.144	1.000	1.154
Audit Fee (X2)	117.987	0.014	1.742
KAP Size (X3)	23.884	0.999	~2.3e+10
Auditor Specialization (X4)	1.057	1.000	2.879
Constant	-28.550	0.010	0.000

Source: Processed Data 2021

Only audit fees are known to have a substantial impact on audit quality, with a significance value of 0.014, according to the logistic regression results in the above table. In this sense, audit

fees are the only variable that has been shown to have a positive statistical impact on audit quality. The probability of receiving a quality audit improves by 1.742 times for every unit increase in audit costs, according to the Exp(B) value of 1.742. In the meantime, the significant values for the variables audit tenure, KAP size, and auditor specialization are greater than 0.05. Accordingly, there is no statistically significant correlation between these three characteristics and audit quality. Nonetheless, this does not negate the significance of the conclusions for more theoretical and practical analysis.

Theoretically, a positive correlation of 0.144 for audit tenure suggests that audit quality tends to rise with the duration of the auditor-client relationship. The association is minor, nevertheless, according to its significance value of 1.000. This could be because long-term auditor-client relationships in Indonesia are still tightly governed by laws like PMK No. 20/2015. By limiting the term of public accounting companies and individual auditors, this law controls independence and minimizes potential dependency. Therefore, rather than being the outcome of long tenure, the favourable effect observed might be the consequence of regulatory oversight. This emphasizes how crucial it is to look at the institutional and legal background when assessing the impact of audit tenure. Based on table on then the regression model logistics obtained is as following:

$$Y = -28,550 + 0.144 (X1) + 117,987 (X2) + 23,884 (X3) + 1,057(X4) \dots\dots\dots (2)$$

Equality Logistic Regression means constant value of -28,550. The meaning of the sign negative (-) is if all variable independent worth zero (0) or constant so audit quality is experiencing decline of -28,550 or in other words, insufficient use of auditors qualified). Coefficient Value regression for audit *tenure* (X1) is 0.114. The meaning of direction positive show that every occurrence declines as big as One *tenure* audit unit with assumption other variables have values zero, then quality audit in industry finance non-bank will increase of 0.114 units. This is show that when audit *tenure* increases so Audit Quality is experiencing increase. The value of the regression coefficient of the audit *fee variable* is 117.987 with an *odds ratio value* of 1.742. This means that if the audit *fee* increases by one unit, the chances of companies getting a quality audit will increase by 1.742 assuming other independent variables are considered constant. Coefficient regression KAP size (X3) is 23.884 marked positive show that everythe occurrence improvement as big as one unit in KAP size with assumption other variables have values zero, then audit quality in company industry finance non-bank will experience improvement amounting to 23,884 units. This is show that when KAP size increases so Audit quality improves. Coefficient regression auditor specialization (X4) of 1.057 is marked positive show that every occurrence improvement as big as One unit in auditor specialization with assumption other variables have values zero, then audit quality in company industry finance non-bank will experience improvement amounting to 1,057 units. This is show that

when auditor specialization increases so audit quality improves.

Table 3
Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	72,908	4	,000
	Block	72,908	4	,000
	Model	72,908	4	,000

Source: Processed Data 2021

Based on table 4.8, the value significance obtained is 0.000 which is $<$ level significance $\alpha = 0.05$ then can concluded that all variable independent namely audit tenure, audit fees, KAP size, and auditor specialization in research This influential significant to variable dependent that is variable audit quality.

Table 4
Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nails R Square
1	20,985 a	,652	,877

Source: Processed Data 2021

Table data obtained result, test model -2log Likelihood of 20,985. The size mark coefficient determination in regression models logistics indicated by the value R square. The R square is 0.877 which means variability variable dependents that can explained by variables independent is by 87% while the remaining 13% is explained by other variables outside the research model.

Test Results Hypothesis in general Partial (Wald Test)

The sig. value of the audit *tenure* variable (X1) is 1,000 which is bigger from level significance (∞) 5% which means No influential audit *tenure* variable on audit quality. Sig. Value of Variable *audit fee* (X2) of 0.014 which is smaller from level significance (∞) 5% which means influential variable *audit fee* against audit quality. Sig. Value of Variable size office accountant public (X3) of 0.999 which is bigger from level significance (∞) 5% which means influential negative variable size office accountant public to audit quality. Sig. Value of Variable auditor specialization (X4) of 1,000 which is bigger from level significance (∞) 5% which means influential negative variable auditor specialization towards audit quality.

The results of the first hypothesis test show that audit tenure does not significantly affect audit quality in non-bank financial industry companies listed on the Indonesia Stock Exchange during 2017-2019. The regression coefficient of 0.144 suggests that each increase in audit tenure by one unit decreases the likelihood of high-quality audits by 0.144 units. Furthermore, the significance

value of 1,000 is greater than 0.05, indicating that audit tenure does not influence audit quality. This finding aligns with (Arifin et al., 2020) research, which concluded that audit tenure does not impact audit quality. However, it contradicts (Arifin et al., 2020) study, which suggested a negative relationship between audit tenure and audit quality. A longer audit tenure could ideally lead to a better understanding of the client's industry, which may improve audit quality. However, prolonged relationships may also reduce auditor objectivity, as auditors may become less rigorous in applying audit procedures, assuming that their clients are providing accurate financial reports. The second hypothesis test indicates that audit fees significantly affect audit quality. The significance value of 0.014 is smaller than 0.05, meaning that higher audit fees tend to improve audit quality.

This result supports previous research by (Suwarno et al., 2020), which found a positive correlation between audit fees and audit quality. A higher audit fee leads auditors to expand their audit procedures, which increases the likelihood of detecting fraud in client financial statements, thereby improving the overall quality of the audit process. Research by (Sujianto & Azmi, 2020) further supports this finding, demonstrating that higher audit fees lead to a more thorough and higher-quality audit, as auditors are incentivized to complete the audit with more extensive procedures and scrutiny. The third hypothesis test shows that the size of the Public Accounting Firm (KAP) does not significantly affect audit quality, with a significant value of 0.999, which is greater than 0.05. This result contradicts the findings of who concluded that KAP size does not significantly influence audit quality. While larger KAPs, such as the Big Four, are generally expected to provide higher-quality audits, this study shows that audit quality is not necessarily better in larger firms. The research suggests that KAP size does not automatically guarantee higher audit quality, as smaller firms may also provide reliable audit services. The study's results indicate that factors other than KAP size, such as auditor independence and procedure rigor, play a more significant role in determining the quality of an audit.

When choosing an auditor, non-bank financial sector businesses can benefit from the practical consequences of this research. The finding that audit costs have a major impact on audit quality implies that businesses should focus more on their audit budgets. Higher audit expenses can represent a substantial investment because a low-cost audit does not always yield accurate and trustworthy reports. Businesses should think about the efficacy of audit findings in addition to cost effectiveness. The significance of risk management in financial reporting is further highlighted by this implication. As a result, audit fees must be included in management's corporate governance plan.

The findings of this study give regulators like the Ministry of Finance and the Financial Services Authority (OJK) a foundation for updating audit rotation guidelines and audit quality

control. Audit tenure, KAP size, and auditor specialty can be utilized to assess the effectiveness of the rotation policy and auditor specialist certification, even though they did not demonstrate a substantial influence. These element's inefficiency could be a sign of inadequate supervision of their application. As a result, current restrictions must to be reinforced through frequent assessments of their application. Additionally, laws that encourage openness in audit fees may also contribute to higher audit quality overall. This is essential to preserving public confidence in corporate financial reports.

This study advances the accounting and auditing literature in the non-bank sector, which has not gotten much attention in the academic community. The results raise fresh questions about the efficacy of variables thought to affect audit quality. Additionally, a quantitative technique for examining causal correlations between audit variables is demonstrated via the logistic regression model that was employed. These findings can serve as a foundation for academics and lecturers creating an audit program tailored to the Indonesian setting. Additionally, this research can be used as a guide to develop dissertation, master's, or undergraduate themes. As a result, its influence on academic growth is substantial.

This study can help with macro-level initiatives to increase Indonesia's financial accountability and openness. The financial reporting system will be strengthened and the chance of fraud or data anomalies reduced with higher-quality audits. This will affect the national financial sector's stability, especially in light of pressures from the global economy. Businesses that carry out open audits typically improve their market value, draw in new investors, and improve their reputation. As a result, this study directly affects the standard of corporate governance in addition to offering theoretical advantages. The findings of this study can be used by many stakeholders to create a business ecosystem that is more responsible and professional.

CONCLUSION

Based on the results from the logistic regression analysis, it can be concluded that audit tenure does not significantly affect audit quality for non-bank financial industry companies listed on the Indonesia Stock Exchange during 2017-2019. A long-term relationship between the Public Accounting Firm (KAP) and its clients may potentially lead to a closer connection, which can hinder the auditor's independence and consequently lower the audit quality. On the other hand, audit fees are found to positively influence audit quality. Higher audit fees allow auditors to conduct more extensive audit procedures, leading to better detection of potential errors or fraud, thus improving audit quality. However, the size of the KAP does not have a significant effect on audit quality, suggesting that both large and small firms can provide similar levels of audit quality. Additionally, auditor specialization does not seem to impact audit quality either, as no significant difference in

quality was found between audits conducted by specialized and non-specialized auditors.

For future research, it is recommended that researchers explore different types of companies beyond the non-bank financial sector, such as manufacturing, banking, property, or mining companies. It would also be beneficial to extend the study period to more than six years to align with the regulations set by the Ministry of Finance of Indonesia. This could provide more comprehensive insights into the effects of audit tenure on audit quality. Academics are encouraged to build upon this research by using varied subjects and expanding the theoretical framework, contributing to the development of the field. This study can serve as a guideline for both companies and investors. Companies are advised to select auditors with strong independence and competence to ensure the production of high-quality financial reports that avoid errors or discrepancies, which could lead to financial losses. For investors, the findings suggest that they should be more selective when choosing companies for investment, taking into account factors such as capital structure and company growth rate, to ensure their investments are sound and based on accurate financial statements.

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