

THE EFFECT OF COMPANY SIZE, AUDIT FEE AND LEVERAGE ON AUDIT QUALITY

(Empirical Study on Manufacturing Companies in the Consumer Goods Sector Listed on the IDX in the Period 2011 - 2020)

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Abstract: This study aims to determine the effect of firm size, audit fees and leverage on audit quality. The sample in this study were manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange in 2011 – 2020, as many as 21 companies were selected as samples using purposive sampling technique. The data used is secondary data collected by documentation techniques. The data analysis method used in this research is the Eviews 10 program. In analyzing the data, this study uses panel data regression statistical testing with the selected fixed effect model. The results of the hypothesis test illustrate that Company Size and Audit Fee have a positive and significant effect on Audit Quality, while Leverage has a negative and no significant effect on Audit Quality.

Keywords: Audit Quality, Company Size, Firm Size, Audit Fee, Leverage, Audit Tenure

1. INTRODUCTION

Principal, which in this case is an investor, is experiencing difficulties due to the low accuracy of information in financial statements and the credibility of public accountants. The more important the role of public accountants to provide opinions on the company's financial statements, the need for quality audits produced is also high. This is due to the large number of involvement of public accountants in the accounting scandal that was revealed in the PT Jiwasraya case. PwC as auditor, gave an unqualified opinion on the consolidated financial statements of PT Asuransi Jiwasraya (Persero) and its subsidiaries as of December 31, 2016. As for the 2017 financial statements, PwC gave an adverse opinion or with modifications. In the financial report, Jiwasraya recorded a profit of Rp 360 billion from the previous Rp 2.4 trillion. Hadiyanto also ensured that the Ministry of Finance through the Financial Professional Development Center (P2PK) would impose sanctions on the Public Accounting Firm (KAP), which conducts audits and provides opinions that do not comply with the code of ethics or standards on financial reports (Kompas, 2020).

Meanwhile, AP Kasner Sirumapea from the Public Accounting Firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang, and Partners who audited the financial statements of PT Garuda Indonesia (Persero) Tbk was given a sanction from P2PK for being proven to have committed 3 negligence in the audit. First, the relevant AP has not correctly assessed the substance of the transaction for the accounting treatment activities for the recognition of receivables and other income. This is because the AP has recognized receivables income even though it has not been received in nominal terms by the company. Second, public accountants have not fully obtained sufficient audit evidence to assess accounting treatment in accordance with the substance of the transaction agreement (CNN Indonesia, 28 June 2018). In addition, there are accounting scandals carried out by PT Sunprima Nusantara Pempundan (CNBC Indonesia, 4 October 2018), PT Hanson International, Tbk (Detik Finance, 9 August 2019) and PT Tiga Pilar Sejahtera Food, Tbk (CNBC Indonesia, 10 April 2019).

The above companies are proven to manipulate financial statements with the aim of hiding losses and or increasing company profits. The public accountant who audits the financial statements is considered to have failed in carrying out a quality audit because he was negligent in providing an appropriate opinion. This will have an impact on public confidence in the reputation of the public accounting profession which is increasingly being eroded. A quality audit will have a positive impact on public trust. Public trust is very important for the sustainability of a company. The role of the auditor becomes significant in realizing accountability, public

transparency and assurance of the conformity of financial reports made by management with financial accounting standards applicable in Indonesia (Arisanti, Susbiyani and Martiana, 2019).

Auditor independence is important in audit engagements. Auditors with high competence and experience need to be accompanied by high independence as well. If the auditor cannot be independent, then he cannot provide good audit quality in carrying out his duties. In addition, to achieve good audit quality, companies need to implement good internal control as well. Good internal control will help public accountants to provide good audit quality. If there is no internal control in the company or the internal control is weak, this will have an impact on the risk of fraud and irregularities in the financial statements, which means that the financial statements cannot describe the company's performance. This will reduce investor confidence in the market, which will increase investment risk and working capital costs for investors. With the decline in investor confidence, it will cause a period of financial difficulties. Based on the explanation above, this study will discuss the phenomenon of decreasing auditor independence in providing opinions that have an impact on audit quality.

High audit quality will be very useful for investors because it can describe the credibility of the information in the company's financial statements. If the auditor is not able to provide a good audit quality, then this will have an impact on unfair financial statements, thereby reducing investor confidence in the market, which will increase investment risk and working capital costs. With the decline in investor confidence, this will prolong the period of financial distress.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory proposed by Jensen and Meckling in 1976 defines agency theory as follows "We define as agency relationship as a contract under which one or more person (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". This theory states that there is a working relationship between the party giving the authority, namely the shareholder and the party receiving the power (the agency), namely the manager (Listyaningsih, 2020).

The separation of ownership by the principal and agent control in an organization tends to cause agency conflicts between the principal and the agent, this contractual agreement is possible because the agent does not always act in the interests of the principal, thus triggering agency costs (Nuryana & Surjandari, 2019).

The relationship between the principal and agent requires an intermediary to bridge the interests of the two parties to support fair policy making, in this case an independent auditor who can enforce standard accounting value-based financial reporting formats. This is where the task of an independent auditor is needed in providing an assessment of the quality of the information included in the financial statements (Felisia, 2020).

Agency theory Jensen and Meckling (1976) considers that the audit fee is a monitoring fee that is supported by shareholders for monitoring activities. In this situation the auditor must verify the activities to evaluate whether they are acting in the interests of the company and shareholders. Thus, one can conclude that an appropriate level of audit fee will significantly contribute to the reduction of fraud risk (Mironiuc and Robu, 2012).

In a company, to minimize the risk of conflict of interest, a third party is needed to act as an intermediary for the agent and principal. Auditors are considered capable of answering agency problems. The function of the auditor as an intermediary is as an independent party who can provide an opinion on the fairness of the presentation of the company's financial statements. Here the function of the auditor is very important because if the auditor cannot detect earnings management, the impact will be a decline in public trust and the reputation of the company and the auditors themselves. Furthermore, there will be a period of financial distress.

2.2 Audit Quality

The definition of audit quality was put forward by Alvin A. Arens (2017) in his book that "Quality audits require that auditors obtain appropriate evidence and make appropriate judgments about the evidence. It is essential, for example, that the auditor understands the client's internal controls and modifies the evidence to reflect the

findings. Improved auditing reduces the likelihood of failing to detect misstatements and the likelihood of lawsuits.”

Audit quality is also defined as auditor independence. According to Alvin A. Arens (2017) independence in auditing is: “Independency can be interpreted to take an unbiased viewpoint. Auditors must not only be independent in fact, but also must be independent in appearance. Independence in fact exists when the auditor is perfectly capable of maintaining an unbiased attitude throughout the audit, while independence in appearance is the result of another interpretation of this independence.”

Independence in The CPA Handbook according to E.B Wilcox (2007) is an important auditing standard because the independent accountant's opinion aims to increase the credibility of the financial statements presented by management. Meanwhile, according to Valeri G. Kumaat (2011) independence must be impartial (rather than neutral), namely siding with what is right.

2.3 Company Size

Companies are categorized into three types, namely: small scale companies, medium scale companies and large scale companies. The size of a company can be based on the total asset value, sales, market capitalization, number of employees, etc. The greater the company's assets, the greater the capital to be invested. The greater the total sales of the company, the higher the turnover and the more significant the market capitalization, the more recognized by the public. An increase in the size of the company will cause increased difficulty for owners in monitoring to increase agency costs, allowing companies to replace new, more qualified auditors to provide better monitoring (Hidayawiyah, Erlina and Isfenti Sadalia, 2021).

According to Riyanto (2008:313), company size is the size of a company based on the value of equity, sales, or assets. Meanwhile, Brigham and Houston (2012) define company size as the average net sales generated by the company over several years. Company size is defined as an effort to assess the size of a company. Companies with large sizes will be seen by the public for their performance so that companies will report their financial conditions carefully and transparently, so it is likely that fewer large companies will carry out earnings management to beautify the profits generated. Meanwhile, small companies have a tendency to carry out earnings management by reporting high profits to show satisfactory company performance.

The researcher's statement above is supported in the Financial Services Authority Regulation Number 53/POJK.04/2017 explaining that small-scale companies are companies that have total assets of not more than fifty billion rupiah, while medium-scale companies are legal entities that have assets of up to two hundred and fifty billion rupiah. And large companies have assets of more than two hundred and fifty billion rupiah.

2.4 Audit Fee

Sukrisno Agoes (2012) defines audit fee as "The amount of the fee depends, among others, on the risk of the assignment, the complexity of the services provided, the level of expertise required to perform the service, the cost structure of the KAP concerned and other professional considerations". According to Agoes (2017: 73) the amount of the member fee depends on the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out these services, the fee structure of the KAP concerned and other professional considerations.

According to Mulyadi (2014: 63) the amount of member fees can vary depending on, among other things, the risk of assigning the complexity of the services provided, the level of expertise required to carry out these services, the cost structure of the KAP concerned, and other professional considerations. According to (Yusica and Sulistyowati, 2020) in their journal, audit fees are fees paid by client entities for Public Accountants based on a cooperation contract agreement for the provision of audit services.

2.5 Leverage

Kasmir (2014:113) defines the leverage ratio as a ratio that is useful for measuring how much the company's assets come from debt. According to Wiagustini (2010), the leverage ratio is used to assess the extent to which a

company is financed by debt. Mardiyanto (2009: 54) suggests that this ratio can be used to measure two things, namely: (1) the amount of company debt used to fund investment; and (2) the company's ability to pay its long-term debt.

Leverage can be measured using the debt to asset ratio. According to Kasmir (2014:156), the debt to asset ratio in question is a ratio used to compare the total debt with the total assets of a company to assess the amount of the company's assets financed by debt or the amount of the company's debt that affects asset management.

3. HYPOTHESIS

3.1 The Effect of Company Size on Audit Quality

Previous research regarding the relationship between firm size and quality was conducted by (Hidayawiyi, Erlina and Isfenti Sadalia, 2021), (Andriani, Meilani, Pardede and Ginting, 2020), (Rizkiani & Nurbaiti 2019), (Priyanti & Dewi, 2019), (Adilla Faiza Sabella, 2017), (Yustari Merawati, and Yuliastuti, 2021) and (Majid & Ratnasari, 2021) in their research prove that the size of the client company has a positive effect on audit quality. An increase in company size will cause increased difficulty for owners in monitoring to increase agency costs, allowing companies to replace new, more qualified auditors to provide better monitoring.

H1: Company Size has Positive and Significant Effects on Audit Quality

3.2 Effect of Audit Fee on Audit Quality

Previous research on the relationship between the effect of audit fees on quality conducted by (Ernstberger, Koch, Schreiber and Trompeter, 2020) stated that in small or medium KAPs, audit fees have a significant effect on audit quality. The same thing was done by (Sembiring, Sidharta, and Sembiring, 2021) (Harun and Hoesada, 2020) in their research stating that audit fees have a significant effect on audit quality.

H2: Audit Fee has Positive and Significant Effects on Audit Quality

3.3 Effect of Leverage on Audit Quality

Previous research on the effect of leverage on audit quality conducted by (Rizkiani & Nurbaiti 2019), (Anas & Sutrisno, 2018) and (Wulandari et al, 2020) in their research explained that manufacturing companies with high leverage ratios audited by KAP big 4 did not affect audit quality. Leverage is not a factor that affects audit quality, because there are other factors. Leverage relates to the legal environment in which the company operates. However, highly reputable KAPs tend to avoid risky clients because they have legal obligations.

H3: Leverage has Negative and No Significant Effects on Audit Quality

4. RESEARCH METHODS

This type of research uses quantitative research methods. According to (Sekaran & Bougie, 2019) quantitative data is data in the form of numbers which are generally obtained through structured questions. The quantitative research used is descriptive quantitative intended to explain the relationship between variables to explain the population, event or situation (Sekaran & Bougie, 2019). The sampling technique used in this research is purposive sampling method. The criteria for sampling in this study were manufacturing companies in the consumer goods sector which were listed on the IDX in the 2011 to 2020 financial year. The number of manufacturing companies in the consumer goods sector on the IDX in 2011-2020 was 71 companies. The number of companies that did not register during 2011-2020 was 50. The number of companies that met the criteria were 21 companies.

Table 1 Company Sample Table

No.	Kode Saham	Nama Perusahaan	No.	Kode Saham	Nama Perusahaan
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1	UNVR	PT Unilever Indonesia Tbk	12	INDF	PT Indofood Sukses Makmur Tbk
2	HMSP	PT Hanjaya Mandala Sampoerna Tbk	13	MLBI	PT Multi Bintang Indonesia Tbk
3	GGRM	PT Gudang Garam Tbk	14	MYOR	PT Mayora Indah Tbk
4	RMBA	PT Bentoel Internasional Investama Tbk	15	PSDN	PT Prasadha Aneka Niaga Tbk
5	TCID	PT Mandom Indonesia Tbk	16	ROTI	PT Nippon Indosari Corpindo Tbk
6	SKBM	PT Sekar Bumi Tbk	17	ADES	PT Akasha Wira International Tbk
7	AISA	PT FKS Food Sejahtera Tbk	18	SKLT	PT Sekar Laut Tbk
8	STTP	PT Siantar Top Tbk	19	CEKA	PT Wilmar Cahaya Indonesia Tbk
9	DLTA	PT Delta Djakarta Tbk	20	TBLA	PT Tunas Baru Lampung Tbk
10	ICBP	PT Indofood CBP Sukses Makmur Tbk	21	ULTJ	PT Ultra Jaya Milk Industry & Trading Company Tbk
11	IIKP	PT Inti Agri Resources Tbk			

In this study, researchers used secondary data collection techniques. The data analysis method that will be used in this research is the EViews 10 program to estimate the model parameters with panel data.

Table 2 Operational Definition

No	Variable	Dimension	Indicator	Measurement Scale
1	Audit Quality Y . variable	Independence	Audit Partner Tenure in 10 years	Interval
2	Company Size Variable X1	Total Asset	Total Asset = Ln (Total Asset)	Ratio
3	Audit Fee Variable X2	Audit Complexity	$\frac{\text{Audit Fee}}{\text{Total Aset}}$	Ratio
4	Leverage Variable X3	<i>Debt to Equity Ratio</i>	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	Ratio

5. RESULT

5.1 Descriptive Analysis

Table 3 Descriptive Analysis

	Company Size (X1)	Audit Fee (X2)	Leverage (X3)	Audit Quality (Y)
Mean	28,9848	0,0007	0,8938	1,5952
Median	28,5830	0,0004	0,8192	1,0000
Maximum	32,7256	0,0114	9,4671	4,0000

Minimum	25,9773	0,0000	-8,3379	1,0000
Std. Dev	1,6727	0,0015	1,2592	0,7659
Observations	210	210	210	210

Based on Table 3, the results of the descriptive statistical test can be explained that the minimum value of Company Size of 25.9773 was owned by PT Sekar Bumi Tbk (SKBM) in 2011, while the maximum value of 32.7256 was owned by PT Indofood Sukses Makmur Tbk (INDF) in 2020. The average value (mean) is greater than the standard deviation, indicating that during the last 10 years the company size in 21 companies has a fairly good distribution of percentage data.

Based on Table 3, the results of descriptive statistical tests can be explained that the minimum value of the Audit Fee of 0.000003 was owned by PT Indofood Sukses Makmur Tbk (INDF) in 2013, while the maximum value of 0.01136 was owned by PT Prasadha Aneka Niaga Tbk (PSDN). in 2016. The average value (mean) is smaller than the standard deviation, indicating that during the last 10 years the company size in 21 companies had a poor distribution of percentage data.

Based on Table 3, the results of the descriptive statistical test can be explained that the minimum leverage value of -8.33787 was owned by PT Bentoel Internasional Investama Tbk (RMBA) in 2014, while the maximum value of 9.46712 was owned by PT Bentoel Internasional Investama Tbk (RMBA). in 2013. The average value (mean) is smaller than the standard deviation, indicating that during the last 10 years the company size of 21 companies had a poor distribution of percentage data.

5.2 Panel Data Regression Analysis

From the results of hypothesis testing, it was found that the data was not normally distributed, then the natural logarithm transformation was carried out, after the natural logarithm transformation the data was normally distributed.

Before estimating the panel model, the first thing that needs to be done is to do a stationarity test for each research variable. This stationarity test was conducted to avoid spurious regression (false regression/pseudo regression).

In panel data regression, there are three regression models that can be used, namely the common effect model, the fixed effect model, and the random effect model. In determining the regression model, three tests were carried out to determine the suitable model to be used in this study, namely the Chow test, Hausman test and the Lagrange multiplier test.

5.2.1 Stationarity Test

Table 4 Test for Stationarity Level

Method	Statistic	Prob.**
ADF - Fisher Chi-square	56.5218	0.0000
ADF - Choi Z-stat	-6.06804	0.0000

Series	Prob.	Lag	Max Lag	Obs
X1	0.0009	2	14	207
X2	0.0179	4	14	205
X3	0.0058	2	14	201
Y	0.0000	4	14	205

Based on the table above, the results of the stationary test show that the data variable is stationary because the probability value is < 0.05 .

After the results obtained that the data variables were stationary, the panel data regression model selection was tested. The following are the results of the panel data regression model selection tests that have been carried out:

5.2.2 Chow test

Table 5 Chow test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.154540	(20,186)	0.0000
Cross-section Chi-square	194.260431	20	0.0000

Based on table 5, the results show the Prob value in the cross-section of 0.0000. This value is smaller than (5%), which means H_0 is rejected. So it can be concluded that the recommended regression model based on the results of the Chow test is the Fixed Effect Model.

5.2.3 Hausman test

Table 6 Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	121.162739	3	0.0000

Based on table 6, the results of the Hausman test for the Prob value in a random cross-section of $0.0000 < (5\%)$. Which means H_0 is accepted. Thus, it can be concluded that the recommended regression model based on the Hausman test is the Fixed Effect Model. Due to the Hausman Test the selected model is the Fixed Effect Model, the author does not perform the Lagrange Multiplier Test.

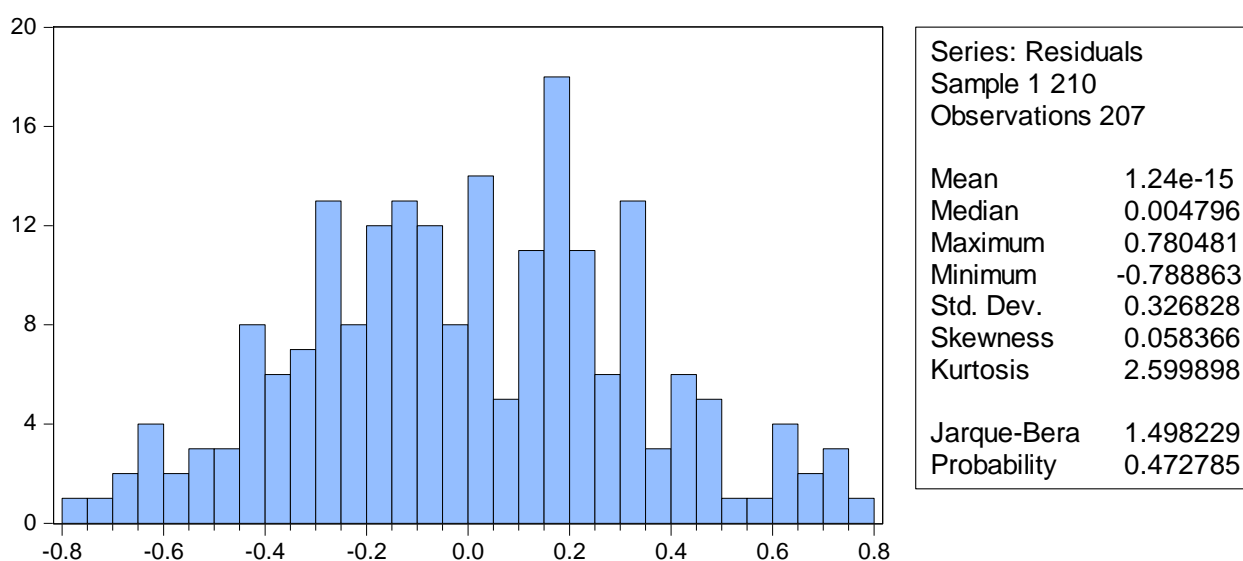
Table 7 Selected Models

Model	Common Effect	Fixed Effect	Random Effect	Result
Chow	√	√		Fixed Effect
Hausman		√	√	Fixed Effect
Lagrange Multiplier	√		√	-
Selected Model		√		Fixed Effect

5.3 Classic Assumption Test

5.3.1 Normality test

Table 8 Jarque-Bera Normality Test



Based on table 8 that the probability value is $0.472785 > 0.05$. Because the probability value in the model is $0.472785 > 0.05$, it can be concluded that the residuals are normally distributed in the model.

5.3.2 Multicollinearity Test

Table 9 Multicollinearity Test

Variance Inflation Factors

Date: 03/26/22 Time: 05:50

Sample: 1 210

Included observations: 207

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1.827373	3489.700	NA
X1	0.159970	3461.124	1.011947
X2	0.000410	52.42364	1.003284
X3	0.000478	1.110916	1.013979

In the table above, it can be seen that the value of Centered VIF for company size, audit fee and leverage are respectively 1.011947, 1.003284 and 1.013979 where the value is less than 10, it can be stated that there is no multicollinearity problem in the prediction model.

5.3.3 Autocorrelation Test

The autocorrelation test is used to determine whether or not there is a deviation from the classic assumption of autocorrelation, namely the correlation that occurs between the residuals in one observation with other observations in the regression model. The autocorrelation test was carried out using the Durbin Watson statistical test, namely by comparing the calculated Durbin-Watson number (DW) with its critical value (dL and dU). Conclusion criteria:

- o If $DW < dL$ or $DW > 4 - dL$, then there is an autocorrelation.
- o If $dU < DW < 4 - dU$, then there is no autocorrelation.
- o If $dL \leq DW \leq dU$ or $4 - dU \leq DW \leq 4 - dL$, the Durbin Watson test does not produce an inconclusive conclusion.

Table 10 Autocorrelation Test

R-squared	0.232118	Mean dependent var	1.24E-15
Adjusted R-squared	0.213017	S.D. dependent var	0.326828
S.E. of regression	0.289936	Akaike info criterion	0.390243
Sum squared resid	16.89662	Schwarz criterion	0.486843
Log likelihood	-34.39014	Hannan-Quinn criter.	0.429307
F-statistic	12.15181	Durbin-Watson stat	1.835809
Prob(F-statistic)	0.000000		

Based on the table above, it is obtained that the DW value is between dU ($1.835809 < DW < 4 - Du$ (2.201) for all models, meaning that there is no autocorrelation in all models.

5.3.4 Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residual of one observation to another observation. If the variance from the residual of one observation to another observation remains, it is called homoscedasticity.

Table 11 Heteroscedasticity Test

Heteroskedasticity Test: ARCH

F-statistic	1.514388	Prob. F(15,161)	0.1054
Obs*R-squared	21.88544	Prob. Chi-Square(15)	0.1108

Based on the output table above, that the Chi-Square probability value for the model is $0.1108 > 0.05$, it can be concluded that there is no violation of the heteroscedasticity assumption.

5.4 Discussion

5.4.1 Company Size has a positive and significant effect on Audit Quality

The results of the study indicate that the firm size variable has a positive and significant impact on the Audit Quality of Manufacturing Companies in the Consumer Goods Sector listed on the IDX in the period 2011 – 2020, this is evidenced by a significance value of 0.000. It can be interpreted that the increase in company size will directly affect the Audit Quality of Manufacturing Companies in the Consumer Goods Sector that are listed on the IDX in the period 2011 – 2020.

The results of this study are in line with previous research conducted by (Andriani, Meilani, Pardede and Ginting, 2020), (Rizkiani & Nurbaiti 2019), (Priyanti & Dewi, 2019), (Adilla Faiza Sabella, 2017), (Yustari Merawati, and Yuliastuti, 2021) and (Majid & Ratnasari, 2021) in their research prove that the size of the client company has a positive effect on audit quality.

The results of this study accept the agency theory proposed by Michael C. Jensen and William H. Meckling (1976) that large companies, due to the complexity of their operations and the increased separation between management and ownership, urgently need a KAP that can reduce agency costs and the threat of self-interest. auditors. In

addition, as the company grows, the number of agency conflicts also increases and this will increase the demand for large KAPs. Because large KAPs are expected to be more independent, credible and professional to provide high quality information to principals. So that the results of firm size have a positive effect on audit quality.

5.4.2 Audit Fee has a positive and significant effect on Audit Quality

The results show that the Audit Fee variable has a positive and significant impact on the Audit Quality of Manufacturing Companies in the Consumer Goods Sector listed on the IDX in the period 2011 – 2020, this is evidenced by a significance value of 0.000. It can be interpreted that the increase in the Audit Fee will directly affect the Audit Quality of Manufacturing Companies in the Consumer Goods Sector that are listed on the IDX in the period 2011 – 2020.

Audit fees have a positive effect on audit quality, this statement is in line with research (Albitar, Gerged, Kikhia and Hussainey, 2020), (Koch, Schreiber and Trompeter, 2020) and (Shakhathreh, Alsmadi and Alkhataybeh, 2020) in their journals which show that there is an influence significant relationship between audit fees and audit quality. According to the research conducted by the authors above, audit fees contribute to audit quality. KAPs that offer high audit fees, due to the complexity of their clients and the need for high quality audits. By assigning assignments to competent auditors, and supported by technology. Of course, a KAP with a high audit fee will provide good quality information.

The results of this study accept agency theory. The size of the audit fee depends on the size of the accounting firm and the financial capacity of the company. Small-scale KAPs have a tendency to compromise audit quality because of the dependence of the client's audit fees so that the audit quality is poor. Meanwhile, large-scale KAPs are less responsive to requests and pressures given by clients to speed up audits of their financial statements because they have received sufficient audit fees so that audit quality will be high. Large-scale KAPs have a greater responsibility for assignments and reputation than small-scale KAPs.

5.4.3 Leverage has no significant and negative effect on Audit Quality

The results of the study show that the leverage variable has a negative and insignificant effect on the Audit Quality of Manufacturing Companies in the Consumer Goods Sector that are listed on the IDX in the period 2011 – 2020, this is evidenced by a significance value of 0.4155. It can be interpreted that the increase in leverage will not directly affect the Audit Quality of Manufacturing Companies in the Consumer Goods Sector that are listed on the IDX in the 2011 – 2020 period.

Leverage has no effect on audit quality, this statement is in line with research (Anas & Sutrisno, 2018), (Ardhityanto, 2020) and (Wulandari et al, 2020) in their research explaining that manufacturing companies with high leverage ratios audited by KAP big 4 do not affect audit quality. Leverage is not a factor that affects audit quality, because there are other factors. Leverage relates to the legal environment in which the company operates. However, highly reputable KAPs tend to avoid risky clients because they have legal obligations.

The results of this study accept the agency theory proposed by Michael C. Jensen and William H. Meckling (1976) that companies with high leverage ratios will tend to manipulate in the form of earnings management. This is due to a conflict of interest in which the agent has different interests from the principal, the agent manipulates his financial statements to avoid violating the debt agreement and obtain funding smoothly, so that the agent's performance will be assessed as good. This will increase audit risk, auditors need to be more careful in their duties. High audit risk will make it difficult for the auditor to carry out his duties to provide an opinion, so it is risky for the auditor to be wrong in giving an opinion to his client which will reduce audit quality.

6. CONCLUSIONS AND SUGGESTIONS

6.1 Conclusion

1. Testing the first hypothesis proves that the size of the company has a positive and significant effect on the Audit Quality of Manufacturing Companies in the Consumer Goods Sector listed on the IDX in the period 2011 – 2020.

2. Testing the second hypothesis proves that the audit fee has a positive and significant effect on the Audit Quality of Manufacturing Companies in the Consumer Goods Sector that are listed on the IDX in the period 2011 – 2020.
3. Testing the third hypothesis does not prove that leverage has a positive and significant effect on the Audit Quality of Manufacturing Companies in the Consumer Goods Sector listed on the IDX in the period 2011 – 2020.

6.2 Suggestions

1. After being tested using Eviews 10 in the initial experiment, the normality test was declared abnormal data, then the natural logarithm transformation was carried out, after the natural logarithm transformation the data was normally distributed.
2. The research model developed in this study proves to strengthen the theoretical concepts in the field of Accounting. This concept can be used as a reference for other researchers. With the development of the results of this research, it is hoped that research in the field of Accounting can be realized that is mutually sustainable and synergized for practitioners and regulators in supporting audit quality improvement.
3. For further research, it is possible to develop other variables besides company size, audit fees and leverage as factors that can affect audit quality.
4. For investors, before making a decision to invest funds in the form of shares in the company, considering that investors consider various factors that can affect the company's performance. In this case, investors should not only pay attention to the value of the company's profits to make a decision to buy or not to buy the company in question, but must also pay attention to the financial quality of the company.
5. This research is expected to be useful for further scientific development in connection with research findings, both in the form of further research, as well as for the development of science, especially Accounting. The development of science that can be done by applying new methods in other research to be added to this research. So that the treasures of other sciences in the field of accounting will appear that can encourage the goals of the science itself.
6. For practitioners in this case are public accountants, in order to increase competence and independence in carrying out functions to provide high audit quality so as to prevent high market volatility.
7. For companies, agents should further improve the financial performance and quality of the company's financial statements in order to increase investor confidence.
8. For regulators to be able to produce solutive regulations on audit issues, in order to achieve stable market volatility.

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