THE INFLUENCE OF AUDITOR REPUTATION, AUDIT ENGAGEMENT PERIOD, COMPANY SIZE AND AUDITOR ROTATION ON AUDIT QUALITY WITH THE AUDIT COMMITTEE AS MODERATION IN BANKING SUB SECTOR COMPANIES WHICH ARE LISTED ON THE IDX

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ABSTRACT

The population of this study are as many as 43 companies that are manufacturing companies listed on the Indonesia Stock Exchange in 2018-2022. The sampling technique used was purposive side with the number of observations 115 (23 companies x 5 years). The analysis methods used were logistic regression analysis and MRA (Moderated Regression Analysis) using SPSS (Statistical Package for the Social Science) software. The results of this study prove that the audit engagement period has a significant effect on audit quality, while audit rotation and firm size have no significant effect on audit quality. The audit committee significantly moderates the audit reputation , audit engagement period, firm's size for audit quality. The audit committee does not significantly moderate audit rotation on audit quality.
Keyword : *audit reputation, audit engagement period, company siz, audit rotation, audit quality audit committee*

INTRODUCTION

The large number of fraud cases involving public accountants is considered to be very detrimental to company owners and external parties, causing the public to question the quality of audits conducted by independent auditors. This is a threat between the auditor and the client which will have a negative impact on the independence of the auditor in detecting and reporting material misstatements in the financial statements. Integrated financial reports mean financial reports that are correct, accurate and avoid manipulation of financial data during the preparation process. The occurrence of financial report scandals caused a decline in public trust, especially the shareholders on the Indonesia Stock Exchange (IDX). The financial sector is still the ruler of stock market capitalization in trading on the Indonesian Stock Exchange. This financial sector company listed on the Indonesia Stock Exchange is the largest population in providing sources of funds, and can also be used as an alternative as a place to invest for the public for both short and long term periods. In this case, the audit quality of the financial statements of these financial sector companies must be very reliable, so that investors and the public feel safe and have confidence in these companies.

LITERATURE REVIEW

Agency Theory (Agency Theory)is a theory that underlies an agency problem. Agency problems arise because people tend to be selfish and conflict arises when several interests meet in a joint activity. Manager and owner relationship as the relationship of two individuals to better understand economic information.

Audit Committeeis a body established by the board of directors to audit operations and conditions and a committee formed by the company's board of commissioners, whose members are appointed and dismissed by the board of commissioners, whose job is to assist in carrying out inspections or research deemed necessary on the implementation of the board of directors' functions in managing the company.

Audit Qualityis the probability that an auditor discovers and reports a violation in his client's accounting system.

Auditors' Reputationis the achievement and public trust held by the auditor based on the big name that the auditor has

Audit Engagement Periodis the engagement period between the auditor and the client regarding audit services agreed upon as the period of the auditor's relationship with the client.

Company Size Company size is a company size that can be determined based on total sales, total assets, average sales level.

Auditor Rotation Auditor Rotation can be said as a change of Public Accounting Firm or Public Accountant that provides audit services to its clients. Auditor rotation is one of the external factors that can affect audit quality.

2.2 Financial Performance

Financial performance is a financial analysis that is primarily carried out to evaluate past financial performance by conducting various analyses, in order to obtain a company's financial position that represents the reality of the company and its ability to sustain its performance in the future. The benefit of financial performance for the company is to find out how far the development of the company has been achieved in each certain period which will be used as a basis for planning for the company in the future. A bank's financial performance is an illustration of a bank's financial condition in a certain period, both in terms of raising funds and channeling funds. Bank financial performance has the following important meanings: 1) As a measure of the success of financial management, especially liquidity conditions, capital adequacy, operational efficiency, asset quality and profitability; 2) As a measure to determine a bank's ability to utilize all of its assets in generating profit efficiently (Nasfi, 2020). The progress of the Islamic People's Financing Bank (BPRS) is assessed not only from asset growth, market share and operational activities, but also needs to be measured from the financial aspect.

2.3. Debt to Equity Ratio

Debt to Equity Ratio (DER) is a measure of a company's financial position in a financial ratio that compares total debt to equity. The total debt and equity used for the company's operations must exist in a proportionate amount. The Debt to Equity Ratio (DER) value can be used as a reference for assessing financial health, if the ratio value increases then company financing is obtained from creditors and not from the company's own financial sources. This can be a warning to company owners and management that a high Debt to Equity Ratio (DER) value/exceeds the amount of equity indicates excessive use of debt, thereby reducing profit/profit (Masrizal et al., 2020).

The Debt to Equity Ratio (DER) is classified as a solvency ratio, namely the ability of a company to fulfill all debts/obligations by using all of its capital. Debt to equity ratio (DER) using "times" or "percentage" units, so that a financially healthy company is indicated by an ideal debt-to-equity ratio (DER) that is less than 1 or 100%.
DER = TOTAL DEBT / TOTAL EQUITY X 100%

The debt to equity ratio (DER) assessment is as follows:

a. The lower the Debt to Equity Ratio (DER), the better it shows that the total debt/liabilities of the company is less than the total equity of the company, so that in an unwanted situation (such as bankruptcy) the company still has the ability to pay off all debts/liabilities.
b. The higher the Debt to Equity Ratio (DER) will cause losses, which shows that the composition of the total debt/liability is greater than the total net capital, causing a large corporate burden for foreign parties. If the company is unable to manage/pay properly and optimally the debts that must be repaid, both short-term and long-term debt, this will have a negative impact on the company's financial condition.

DER (Debt to Equity Ratio) can indicate the level of financial independence of a company against debt. For companies, the amount of debt should not exceed operating capital so that the burden is not too high. The smaller the Debt to Equity Ratio portion, the safer it is. This indicator is monitored by bankers as a measure of a company's ability to pay off its debts and the easier it is to obtain financing from investors. Company leaders must be careful in taking capital so that the ratio of debt to equity does not appear high. In most companies today, an acceptable debt to equity ratio (DER) is around 1.5 to 2 times. For companies that have gone public, an acceptable debt-to-equity ratio is double or more. A high Debt to Equity Ratio (DER) will indicate that the company is unable to generate sufficient funds to fulfill its debt obligations obligations/debts. However, a low Debt to Equity Ratio (DER) value also indicates that the company is unable to increase profits.

METHODS

This study aims to determine and analyze the effect of auditor reputation, audit engagement period, company size and audit rotation on audit quality with an audit committee as moderator in manufacturing companies listed on the Indonesia Stock Exchange. This study uses secondary data. The population of this study is 23 companies which are banking sub-sector companies listed on the Indonesia Stock Exchange in 2018-2022. The sampling technique used was purposive side with a total of 115 observations (23 companies x 5 years). The analytical method used is logistic regression analysis and MRA (Moderated Regression Analysis) using SPSS (Statistical Package for the Social Science) software.

RESULTS AND DISCUSSION

Y = a +b1X1+b2X2+b3X3 +e Y = -10.953 + 1.865X1 + 0.788X2 + 0.066 X3 + 0.598X4

1. Auditor reputation (X1) of 6.459 indicates that if there is an auditor's reputation, the quality of the auditor will increase by 6.459 times compared to that where there is no auditor's reputation. Then the B value of 1.865 indicates that the auditor's reputation has a positive relationship with the increase in auditor quality.

2. Audit engagement period (X2) of 2,200 indicates that if there is an audit engagement period, the quality of the auditor will increase by 2,200 times compared to the absence of an audit engagement period. Then the B value of 0.788 indicates that the audit engagement period has a positive relationship with the increase in auditor quality. 81

3. Company size (X3) of 1.068 indicates that if there is a company size, the quality of the auditor will increase by 1.068 times compared to the absence of company size. Then the B value of 0.066 indicates that the size of this company has a positive relationship with the increase in auditor

quality.

4. Auditor Rotation (X2) of 1.819 indicates that if there is auditor rotation, the quality of the company will increase by 1.819 times compared to the absence of auditor rotation. Then the B value of 0.598 indicates that this auditor rotation has a positive relationship with auditor quality.

Hasil Uji Omnibus

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	22.476	4	.000
	Block	22.476	4	.000
	Model	22.476	4	.000

Based on the table it can be seen that the Chi Square value is 22.476, if the Chi Square table value with df = 4 is 9.487729 then the Chi Square value > Chi Square table value is 22.476 > 9.487729 at a significance level of 0.000 <0.05, this shows that simultaneously the variables X1, X2, X3, and X4 affect the variable Y.

CONCLUSION

Auditor Reputation, Audit Period, Firm Size have an effect on audit quality, but Auditor Rotation has no effect on audit quality. For Investors, who will make an investment can be taken into consideration and it is recommended to be more careful in assessing the circumstances and conditions of a company before deciding to invest in that company.

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