

## THE EFFECT OF COMPANY SIZE, AUDIT TENURE, AND AUDIT COMMITTEE ON AUDIT QUALITY

Nurmaretha Afrianti<sup>1</sup>, Rusmida Jun Hutabarat<sup>2</sup>,  
Yuni Rachmawati<sup>3</sup>, Shelly Farida Tobing<sup>4</sup>

Tridinanti University<sup>1234</sup>,  
[yunirachmawati@univ-tridinanti.ac.id](mailto:yunirachmawati@univ-tridinanti.ac.id)<sup>3</sup>

**Abstract:** This study aims to determine the simultaneous and partial effects on audit quality in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange for the 2020–2023 Period consisting of factors such as company size, audit period, and audit committee. The secondary data source for this study is the financial statements of companies in the food and beverage subsector listed on the Indonesia Stock Exchange for the 2020–2023 period. A total of 21 companies that met the sample selection requirements became the research sample. Logistic regression analysis is the method used for data analysis. Based on the results of the hypothesis test, audit quality in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange for the 2020–2023 Period is simultaneously influenced by company size, audit tenure, and audit committee. In Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange for the 2020–2023 Period, company size has a partial effect on audit quality. Audit tenure does not have a partial effect on audit quality in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange. For the 2020–2023 Period, companies in the Food and Beverage Subsector listed on the Indonesia Stock Exchange were partially impacted by audit quality from the audit committee.

**Keywords:** Company Size, Audit Tenure, Audit Committee, Audit Quality.

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### INTRODUCTION

Indonesia is one of the countries in Southeast Asia that has experienced the fastest economic growth. Stable GDP growth is one of the reasons investors are interested in investing their money in various corporate sectors. Financial reports describe the company's financial situation over a period of time, the report plays an important role in influencing investor interest in making investments. Financial reports as information when making decisions, the report must be reliable and relevant. To ensure that financial reports are relevant, companies must perform audit procedures (Rajagukguk, 2017).

According to (Permatasari & Astuti, 2019), a quality audit effectively upholds public trust in the validity and truth of financial statements. The extent to which an audit complies with applicable audit and quality control standards can be used to measure its quality. According to (Yasmin, 2023), audit quality is related to how effectively the audit work meets the established criteria compared to applicable standards. Company size, audit tenure, and audit committee are some of the variables that can affect audit quality.

One of the elements that affect audit quality is company size. According to (Moeljono, 2020), company size or what is also called firm size is a classification of an organization based on the amount of assets it owns, with a fairly consistent assessment of the level of asset stability. Larger companies usually run more complex businesses and are involved in more transactions. The financial statements of large companies will require auditors to invest more time and resources, which will have an impact on audit quality.

Audit tenure is the second aspect that can affect audit quality. The duration of a company employing the same Public Accounting Firm (KAP) to audit its financial statements is known as audit tenure (Achmadiyah et al., 2023). Due to its potential to affect audit quality, audit tenure has been discussed in public forums. Long-term audit alliances can lead to overly intimate client-auditor interactions, compromising the auditor's objectivity and independence (Ngurah & Bagus, 2019). However, if the audit period is too short, the auditor may not have enough time to fully understand the client's business environment, which can impair their capacity to analyze information effectively.

The audit committee is the third variable that can affect audit quality. The audit committee is

formed by the Board of Commissioners who are responsible to the Board of Commissioners to improve the Board of Commissioners' supervision of the performance of the company's directors and must be independent and free from the influence of company management (Siahaan et al., 2019). Article 4 of the Financial Services Authority (OJK) Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of the Audit Committee regulates the membership of the audit committee. It is stated that the audit committee must have at least three (three) members who are independent commissioners of the company and party the third independent.

Companies in the food and beverage subsector listed on the Indonesia Stock Exchange is the subject of this study. This subsector, which focuses on manufacturing, processing, and distributing various types of food and beverages, is an important component of the manufacturing sector. The selection of this food and beverage subsector is based on its rapid expansion, triggered by the increasing consumer demand for these products periodically.

## METHODS

The object of this research is the Food and Beverage Sub-Sector Company whose financial report data was obtained from the Indonesia Stock Exchange (IDX) for the 2020-2023 period by accessing the website [www.idx.co.id](http://www.idx.co.id). The data collection technique in this research uses the data collection technique through documentation, by observing the financial statements of food and beverage sub-sector companies. The data analysis technique used in this study is logistic regression analysis which includes descriptive statistical tests, logistic regression analysis, regression model feasibility tests, overall model tests, classical assumption tests and hypothesis tests. The population in this study were all food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) 2020-2023, totaling 29 companies. Through purposive sampling, 21 companies were obtained that met the criteria, namely as follows:

**Table 1. Research Sample**

No.	Company name
1.	Akasha Wira International Tbk.
2.	Tiga Pilar Sejahtera Food Tbk.
3.	Campina Ice Cream Industry Tbk.
4.	Wilmar Cahaya Indonesia Tbk.
5.	Sariguna Primatirta Tbk.
6.	Wahana Interfood Nusantara Tbk.
7.	Delta Djakarta Tbk
8.	Sentra Food Indonesia Tbk.
9.	Garudafood Putra Putri Jaya Tbk.
10.	Buyung Poetra Sembada Tbk.
11.	Indofood CBP Sukses Makmur Tbk.
12.	Indofood Sukses Makmur Tbk.
13.	Mulia Boga Raya Tbk.
14.	Multi Bintang Indonesia Tbk
15.	Mayora Indah Tbk.
16.	Nippon Indosari Corpindo Tbk.
17.	Sekar Bumi Tbk.
18.	Sekar Laut Tbk.
19.	Siantar Top Tbk.
20.	Tunas Baru Lampung Tbk.
21.	Ultra Jaya Milk Industry & Trading Company Tbk.

Source: Secondary Data Processed by the Author, 2024

## RESULTS AND DISCUSSION

### Descriptive Statistics Results

The following are the results of descriptive statistical analysis.

**Table 2. Results of Descriptive Statistical Analysis**

	N	Minimum	Maximum	Mean	Std. Deviation
Company Size	84	13.77	30.80	23,8129	5,76560
Tenure Audit	84	1	4	2.26	1,110
Audit Committee	84	3	4	3.00	.310
Audit Quality	84	0	1	.57	.498
Valid N (listwise)	84				

(Source: Secondary Data Processed by the Author, 2024)

Based on Table 2, the descriptive statistics of this study can be explained as follows: The minimum value of the Company Size variable (X1) is 13.77, the maximum value is 30.80, the mean value (average) is 23.81 while the standard deviation (data deviation) is 5.77. The minimum value of the Audit Tenure variable (X2) is 1, the maximum value is 4, the mean value (average) is 2.26 while standard deviation (data deviation) of 1.110. The minimum value of the Audit Committee variable (X3) is 3, the maximum value is 4, the mean value is 3 while the standard deviation (data deviation) is 0.310. The minimum value of the Audit Quality variable (Y) is 0, the maximum value is 1, the mean value is 0.57 while the standard deviation (data deviation) is 0.498.

### Regression Model Feasibility Test Results

The following are the results of the feasibility test of the regression model.

**Table 3. Results of the Regression Model Feasibility Test**

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	18,750	8	.116

(Source: Secondary Data Processed by the Author, 2024)

Table 3 above shows that the results of the Hosmer and Lemeshow test obtained a chi-square value of 18,750 with a significance level of 0.110. The test results indicate that the probability value (P-value)  $\geq 0.05$  is  $0.110 \geq 0.05$ , so  $H_0$  is accepted. So the Goodness of Fit Test is said to be feasible to predict its observation value.

### Overall Model Test Results

The following is a test of the overall model fit.

**Table 4 Regression Model Feasibility Test Results**

-2 Initial Log Likelihood (block number = 0)	114,729
-2 Final Log Likelihood(block number = 1)	94,253

(Secondary Data Source Processed by Author, 2024)

Table 4 shows that the initial -2 Log Likelihood value (block number = 0) before being entered into the independent variable is 114.729. After the three independent variables are entered (Company Size, Audit Tenure, and Audit Committee), the final -2 Log Likelihood value (block number = 1) decreases to 94.253. The difference between the initial -2 Log Likelihood and the final -2 Log Likelihood shows a decrease of 20.476. It can be concluded that the initial -2 Log Likelihood value (block number = 0) is greater than the final -2 Log Likelihood value (block number = 1), so that

a decrease occurs. This indicates that the hypothesized Model fits the data, so that the addition of independent variables to the model shows that the regression model is getting better or in other words  $H_0$  is accepted.

### Classical Assumption Test Results Multicollinearity Test Results

The following are the results of the multicollinearity test.

Table 5. Multicollinearity Test Results	
Collinearity Statistics	
Tolerance	VIF
.997	1.003
.998	1.002
.999	1.001

(Source: Secondary Data Processed by the Author, 2024)

Table 5 shows that the Tolerance value of the Company Size variable is 0.997, Audit Tenure is 0.998, and Audit Committee is 0.999 with the VIF value of the Company Size variable of 1.003, Audit Tenure is 1.002, and Audit Committee is 1.001. These results indicate that all independent variables exceed the tolerance limit of 0.1 and the Variance Inflation Factor (VIF) value is below the threshold of 10. Therefore, it can be concluded that in the regression model of this study, there are no signs of multicollinearity.

### Linearity Test Results

The following are the results of the linearity test.

Table 6. Linearity Test Results		
Variables	Sig. Deviation from Linearity	Information
X1 with Y	0.311	Linear
X2 with Y	0.815	Linear
X3 with Y	0.746	Linear

(Source: Secondary Data Processed by the Author, 2024)

From the information listed in Table 6, it can be observed that the Sig. Deviation from Linearity value for the Company Size variable (X1) on Audit Quality is  $0.311 > 0.05$ , the Audit Tenure variable (X2) on Audit Quality is  $0.815 > 0.05$ , and the Audit Committee variable on Audit Quality is  $0.746 > 0.05$  which shows that each relationship between variables has a value greater than 0.05. This indicates that in this regression model, all relationships between variables are linear.

### Hypothesis Test Results

#### Simultaneous Test Results(Omnibus Test)

The results of the simultaneous test are as follows:

Table 7. Simultaneous Test Results				
Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	20,475	3	.000
	Block	20,475	3	.000
	Model	20,475	3	.000

(Secondary Data Source Processed by Author, 2024)

It is known that the sample (n) in this study was 84 data with the number of independent and dependent variables (k) of 4 so that the degree of freedom (df) =  $nk = 84 - 4 = 80$  was obtained and the Ftable value was 2.719. Based on table 4.7, it can be seen that Fcount (Chi-Square) is greater than Ftable ( $20.475 > 2.719$ ) with a significance value of p-value ( $0.000 < 0.05$ ). So it can be concluded that company size, audit tenure, and audit committee have a simultaneous effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.

### Partial Test Results (Wald Test)

The results of the partial test of this research are as follows:

**Table 8. Partial Test Results**

Variables in the Equation		B	SE	Wald	df	Sig.	Exp(B)
Step 1a	Company Size	.189	.058	10,509	1	.001	.828
	Tenure Audit	.151	.226	.442	1	.506	1.163
	Audit Committee	3.021	1.276	5,608	1	.018	.049
	Constant	13,764	4.673	8,676	1	.003	949519.537

a. Variable(s) entered on step 1: Company Size, Audit Tenure, Audit Committee.

(Source: Secondary Data Processed by the Author, 2024)

It is known that the sample (n) in this study is 84 data with the number of independent and dependent variables (k) as many as 4 so that the degree of freedom (df) =  $nk = 84 - 4 = 80$  is obtained and the ttable value is 1.990. The results of the partial test based on table 8 are further explained below:

1. t value calculate the company size variable is greater than ttable ( $10,509 > 1.990$ ) with a significance level (p-value) of ( $0.001 < 0.05$ ). Based on these results, it can be concluded that company size has a partial effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.
2. t value calculate the audit tenure variable is smaller than ttable ( $0.442 < 1.990$ ) with a significance level (p-value) of ( $0.506 > 0.05$ ). Based on these results, it can be concluded that audit tenure does not have a partial effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.
3. t value calculate the audit committee variable is greater than ttable ( $5.608 > 1.990$ ) with a significance level (p-value) of ( $0.018 < 0.05$ ). Based on these results, it can be concluded that the audit committee has a partial effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.

### Determination Test Results (Nagelkerke R Square)

The following are the results of the determination test of this research.

**Table 9. Determination Test Results**

Model Summary			
Step	-2 Log likelihood	Cox & SnellR Square	Nails R Square
1	94.253a	.216	.290

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

(Source: Secondary Data Processed by the Author, 2024)

Table 9 shows that the coefficient of determination value seen from the Nagelkerke R Square

value is 0.290. This indicates that the ability of the independent variables, namely company size, audit tenure, and audit committee in influencing the dependent variable, namely audit quality, is only 29%. While the rest is influenced by other factors not included in this study, which is 71%.

## **RESULTS AND DISCUSSION**

### **The Influence of Company Size, Audit Tenure, and Audit Committee on Audit Quality**

The results of the omnibus test statistical test obtained an F result.count (Chi-Square) is greater than Ftable ( $20.475 > 2.719$ ) with a significance value of p-value ( $0.000 < 0.05$ ). So it can be concluded that company size, audit tenure, and audit committee have a simultaneous effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.

Larger companies tend to have higher operational complexity, requiring auditors with more competence and resources to produce quality audits. Audit tenure, or the length of the relationship between the auditor and the client, can affect the auditor's independence and objectivity. Auditors who work with one client for too long may face the risk of compromising their independence, while new auditors need time to fully understand the client's business. The existence of an effective audit committee can improve oversight of the audit process and encourage accountability, thereby contributing to better audit quality.

In the context of agency theory, the relationship between the owner (principal) and management (agent) of a company is often fraught with potential conflicts of interest. Management may not always act in the best interests of the owner, so a strict monitoring mechanism is needed. External auditors act as an independent third party to provide assurance to the owner that the financial statements presented by management are accurate and free from misrepresentation. Company size, audit tenure, and audit committee are important elements in ensuring that auditors can carry out their roles effectively and independently, thereby reducing the risk of conflicts of interest and increasing owner confidence in the company's financial statements.

### **Effect of Size Company on Audit Quality**

The results of the statistical test on the Wald test show that tcount is greater than ttable ( $10,509 > 1.990$ ) with a significance level (p-value) of ( $0.001 < 0.05$ ). Based on these results, it can be concluded that company size has a partial effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.

This result is in line with research conducted by (Wau et al., 2020) and (Effendi & Ulhaq, 2018) which states that company size has a partial effect on audit quality. Large companies usually have more complex, diverse, and geographically dispersed operations. This complexity requires auditors to have sufficient expertise, knowledge, and resources to understand and audit the business thoroughly. Auditors who are experienced and have access to sufficient resources will be better able to identify and address risks that may arise in auditing large companies. In addition, large companies are often more likely to employ well-known audit firms that have good reputations and high quality standards, which will contribute greatly to better audit quality.

In the context of agency theory, larger firms also mean that there are more shareholders and stakeholders who need assurance that management is acting in their best interests. Larger firms face greater pressure to ensure transparency and accountability in financial reporting. Conflicts of interest between management (agents) and owners (principals) can be more pronounced in larger firms due to the greater distance between the two and the complexity of the firm's structure. Therefore, high audit quality becomes very important to provide assurance to owners and stakeholders that the financial statements presented are accurate and reliable. A quality auditor can reduce the risk of information asymmetry and ensure that management is acting in the best interests of the owners, thereby helping to reduce agency problems in large firms.

### **The Impact of Tenure Audits On Audit Quality**

The results of the Wald test show that the t valuecalculate the audit tenure variable is smaller than ttable ( $0.442 < 1.990$ ) with a significance level (p-value) of ( $0.506 > 0.05$ ). Based on these



results, it can be concluded that audit tenure does not have a partial effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period.

This result is in line with research conducted by (Wau et al., 2020) and (Effendi & Ulhaq, 2018) which stated that audit tenure has no partial effect on audit quality. In many large audit firms, audit teams are often rotated even if the firm remains the same. This helps to ensure that there is no overly close relationship between the auditor and the client that can affect independence despite having a long audit tenure. A longer audit tenure period can mean that the auditor has a deeper knowledge of the client's business, their operations, and the risks they face. This knowledge can improve audit quality because the auditor is better able to identify problems and provide relevant recommendations.

In the context of agency theory, auditors act as an independent third party to reduce conflicts of interest between management (agent) and owners (principals). As long as auditors can maintain their independence and objectivity, the length of the relationship with the client will not significantly affect their ability to perform this role well. Therefore, audit tenure does not always have a direct impact on audit quality because many other factors are more important in determining the quality of audit results.

### **The Influence of the Audit Committee on Quality Audit**

The results of the Wald test show that the t value calculate the audit committee variable is greater than ttable ( $5.608 > 1.990$ ) with a significance level (p-value) of ( $0.018 < 0.05$ ). Based on these results, it can be concluded that the audit committee has a partial effect on audit quality in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period. These results are in line with (Rizaldi et al., 2022) and (Lailatul & Yanthi 2021) which state that the audit committee has a partial positive effect on audit quality. An effective audit committee will ensure that auditors have full and unhindered access to the necessary information, and support auditors in addressing any issues that arise during the audit process. The audit committee also monitors the independence and objectivity of auditors, ensuring that there is no pressure from management that can affect the audit results. By providing appropriate oversight and support, the audit committee can help improve audit quality by ensuring that auditors can carry out their duties effectively and independently.

In the context of agency theory, the audit committee plays an important role as a monitoring mechanism to reduce conflicts of interest between management (agent) and owners (principal). Management may have incentives to manipulate financial statements in their own interests, which can be detrimental to owners. The audit committee, as part of the board of directors, acts to protect the interests of owners by ensuring the integrity of the financial statements. By overseeing the audit process and ensuring high audit quality, the audit committee helps reduce the risk of misrepresentation of financial information and increases owner confidence in the company's financial statements. This is consistent with the goal of agency theory to minimize conflicts of interest and ensure that management acts in the best interests of owners.

The audit committee has no effect on audit quality as proxied by the use of Big Four KAP because companies that already use Big Four tend to be considered to have a strong control system and high auditor independence. The influence of the audit committee can be less significant because the role of audit quality oversight is automatically strengthened by the reputation and high standards applied by the Big Four. In addition, Big Four auditors have greater resources and broader experience, so the audit quality they provide is already relatively high without the need for significant intervention from the audit committee.

### **CONCLUSION**

Based on the research results and discussions that have been described, it can be concluded that company size, audit tenure, and audit committee simultaneously affect audit quality in Food and Beverage Sub-Sector companies listed on the Indonesia Stock Exchange for the 2020-2023 period. However, partially only company size and audit committee affect audit quality.

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