

THE ROLE OF AUDIT ROTATION, AUDIT COMMITTEE OVERSIGHT, AUDIT CAPACITY STRESS, AND AUDIT TENURE IN DETERMINING AUDIT QUALITY

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Abstract— The quality of audits is a crucial factor determining the credibility of financial reporting. This research aims to explore the determinants that impact audit quality for banking companies listed on the IDX from 2019 to 2023. This study examines the role of audit rotation, audit committee oversight, audit capacity stress, and audit tenure on audit quality. The results of this study are expected to provide insights for auditors, regulators, and organizations regarding how these factors influence auditor independence, experience, supervisory effectiveness, and the level of pressure faced by auditors. The study utilizes secondary data obtained through purposive sampling, focusing on the banking sector. The sample consist of conventional bank consistently listed on the Indonesia Stock Exchange (IDX) during 2019–2023, which publish annual financial reports audited by accounting firms registered with the Financial Services Authority (OJK). Based on this criteria, 34 banking companies are selected as research samples. Logistic regression analysis, conducted using EViews 10 program is employed to analyze the data. The findings indicate that audit rotation does not significantly affect audit quality, whereas audit committee oversight, audit capacity stress, and audit tenure have a positive effect on audit quality.

Keywords: Audit Rotation; Audit Committee Oversight; Audit Capacity Stress; Audit Tenure; Audit Quality

1. INTRODUCTION

1.1 Research Background

The growth of the digital economy and the rising number of retail investors in Indonesia have been accompanied by increased capital market activity. This is reflected in the rise of total investors to 14.84 million in 2024, consisting of stock, bond, and mutual fund investors. As a result, the IDX ranked 10th globally in terms of the number of IPOs, with total fund raised from IPOs reaching IDR 14.3 trillion and 943 companies listed by the end of 2024 (IDX, 2024). This increased capital market activity has increased stakeholders' desire to obtain relevant financial information to make informed investment choices. Financial reports play a key role in communicating a company's performance to internal and external parties, such as stakeholders and shareholders. The information presented in the financial statements contains crucial aspects, especially for external entities such as shareholders, as it enables

them to assess information presented by the company and make informed decisions (Kurniawan & Kurniawati, 2024).

According to POJK No. 14/POJK.04/2022, publicly traded entities on the IDX are obligated to provide financial disclosures that have undergone external auditing by certified public accountants affiliated with OJK (OJK, 2022). Banking companies as public entities listed on the IDX are one of the public companies that are required to submit financial reports that have been audited by external auditors, because banking companies are companies that have a role in helping the economy in Indonesia and have a very complex financial system. Therefore, it is crucial to ensure that audit reports in banking companies are of good quality to avoid a negative impact on the national economy. Financial reports composed by management may not be presented correctly, either intentionally or unintentionally. Auditing financial reports conducted by independent auditors is a way to gain confidence from various stakeholders that the financial reports are reliable and trustworthy. Stakeholders have high expectations for auditors to deliver high-quality reports that guide decision-making (Sari & Kurniawati, 2021). Audit quality is an auditor's ability in detecting and reporting material misstatements or fraud in the financial report (De Angelo, 1981). This highlights the role of auditors in detecting manipulation or violations committed by the client (Pamungkas et al, 2022). Several cases of financial statement manipulation occur in Indonesia and often cannot be detected by the auditor, which decreases investor confidence in audits. One of the phenomena that showed the decline in audit quality, is the bankruptcy case of Silicon Valley Bank. Bank Silicon Valley, or SVB, is a bank located in Silicon Valley, California, United States that focuses on financing startup business loans in the technology and health technology sectors.

In this case, one of the parties sued for guilt was KAP KPMG. Auditors from KPMG were unable to identify the risks that Silicon Valley Bank would face regarding the decline in deposits and losses experienced by Silicon Valley Bank, while KPMG's audit report could not show substantial doubts about the going concern of Silicon Valley Bank (Utari, 2023). This phenomenon demonstrates the significance of audit quality and the necessity for auditors to optimize their efforts to verify the credibility of financial information. Doing so can build trust among users who rely on these statements for informed decision-making. Audit quality determined from various factors, both from within the auditor or KAP itself and outside the KAP. From within the auditor, influencing factors such as audit rotation, auditor independence, audit tenure, KAP size, auditor workload, and auditor experience (Olivia & Setiawan, 2019) while from outside the KAP, such as cooperation with independent supervisory functions contained in the client company, such as the audit committee. (Fadhilah & Halmawati, 2021) defines audit rotation as the process of changing auditors or switching public accounting firms to help preserve auditor independence. Independent auditors are considered to have the courage to disclose material misstatements in the financial statements of their clients without being affected by the close relationship caused by the long-standing relationship (Handoyo & Putri, 2022). Audit committee, as an independent internal party, is expected to support external auditors to improve audit quality by providing comprehensive oversight of audit procedures and internal parties of the company who prepare the company's financial reports. Audit committee functions as an internal control unit and is tasked with supervising and assisting in maintaining audit integrity by overseeing the company's financial processes. To enhance effective oversight, audit committees are advised to conduct meetings at a minimum of four times a year (Mannuela & Kurniawati, 2024).

Audit committees are also valuable in helping external auditors get information about the company because the audit committee is an internal part that knows all information about

the company, so that it can help auditors improve the reliability of audit reports (Fadhilah & Halmawati, 2021). Audit capacity stress is the pressure experienced by auditors due to the large workload borne by auditors when serving multiple clients at the same time (Akhbar & Sebrina, 2024). Excessive workload can increase the risk of errors and reduce the time available for auditors to thoroughly analyze financial reports. A substantial volume of clients handled with the limited time they have causes auditors to experience pressure, which can reduce auditor skepticism so that the resulting audit quality decreases (Winoto & Harindahyani, 2021). Audit tenure refers to the contractual relationship established between KAP and the audited entity for auditing services within a certain period. Audit tenure with a long term is indicated to be able to improve audit quality, because a prolonged collaboration between auditors and the same accounting firm serving a particular client will make the auditor have knowledge related to the organization's characteristic by understanding operational risks and business processes of the client so that they can determine the appropriate audit procedures in examining the company's financial statements (Sari & Nurhidayat, 2024).

Several previous studies have analyzed factors that can increase and decrease audit quality, such as audit rotation, audit committee, audit capacity stress, and audit tenure. Research by (Winda & Hadiwibowo, 2023) audit rotation significantly improves audit quality. Audit rotation carried out by company will maintain auditor independence to continue to be able to provide the right opinion without being influenced by other parties. Similarly (Cahyati et al., 2021) affirm that audit rotation positively impacts audit quality. Conversely, (Lailatul & Yanthi, 2021) emphasize the audit committee's role in improving audit quality, as its oversight aids external auditors in planning and executing procedures effectively. These results, however, contradict a study by (Pamungkas et al, 2022) which found that the audit committee had no discernible impact on audit quality. In research conducted by (Akhbar & Sebrina, 2024) audit capacity stress significantly and negatively affects audit quality. The large workload borne by auditors will make auditors experience pressure, which can reduce audit quality. However, these findings are different from (Zunita et al., 2022) which shows that audit capacity stress can improve audit quality. (Rahmadani & Halmawati, 2024) However, found no significant relationship. On audit tenure (Jessica et al., 2021) suggest that prolonged auditor-client relationships improve quality through accumulated expertise. While (Azmiawan & Srimindarti, 2024) found tenure does not affect audit quality. Considering the importance of knowing the factors that influence audit quality until now and the fact that research findings differ, the formulation of the problems to be answered in this research are as follows:

1. Does audit rotation influence audit quality?
2. Does audit committee oversight influence audit quality?
3. Does the length of audit tenure influence audit quality?
4. Does audit workload pressure influence audit quality?

1.2 Literature Review and Hypothesis Development

1.2.1. Audit Quality Theories

Audit quality issues have become a major concern in accounting and finance literature, in line with the increasing need for transparency and accountability in financial reporting. This has led to numerous examining the factors that influence audit quality. DeAngelo (1981) defines audit quality as the ability of auditors to detect and report errors in clients' financial statements, meaning that auditors can detect manipulation or violations committed by clients (Sukirman & Asih, 2021). According to auditors, high audit quality can be achieved when

auditors adhere to professional standards, effectively access business risk to mitigate litigation risks, and uphold their professional reputation (Effendi & Ulhaq, 2021). In addition to complying with applicable professional auditing standards, auditors must also be able to collect sufficient audit evidence and determine the appropriate opinion. In an effort to understand the concept of audit quality conceptually, there are several main theories that are commonly used in research, namely agency theory and signalling theory.

a. Agency Theory

Agency theory explains the contractual relationship between owners (principals) who delegate decision-making authority to managers (agents), expecting them to act in the owners' best interests (Rahmadani & Halmawati, 2024). This relationship often leads to conflicts of interest and information asymmetry, where agents may possess more information about the company's financial status than principals, potentially compromising the transparency of financial reporting (Handoyo & Putri, 2022). According to Akhbar and Sebrina (2024), the theory posits that high-quality audits serve as a mechanism to mitigate these conflicts. Independent auditors are tasked with evaluating financial statements to ensure accuracy, detect material misstatements, and prevent fraud. Thus increasing the trust of stakeholders that the financial statements have validity and reliability (Akhbar & Sebrina, 2024).

b. Signalling Theory

Signalling theory describes how parties who have the availability of information provide signals or information to signal recipients (Elevendra & Helmayunita, 2021). In a company, the signals sent by managers can be positive or negative signals for investors (Elevendra & Helmayunita, 2021). Quality financial statements are characterized by the existence of relevant and reliable information that has also been validated by an independent party, in this case, the auditor, who can provide positive signals that can influence stakeholder decisions (Mayangsari & Sazangka, 2023). When management possesses unfavorable information, it may postpone its disclosure to external parties, heightening information asymmetry risks. In such scenarios, auditors play a critical role in mitigating these risks by verifying the accuracy and completeness of financial disclosures (Yasmin, 2023).

1.3. Hypothesis Development

1.3.1 The Relationship Between Audit Rotation and Audit Quality

According to (Fadhilah & Halmawati, 2021) Audit rotation is defined rotation of auditors or KAP, The practice is carried out to ensure that the auditor remains unbiased and objective or independent, thereby minimizing potential conflicts of interest. POJK No.9/POJK.07/2023 states that companies in the form of commercial banks must limit the use of the same auditor services with a maximum limit of 7 years (OJK, 2023). The audit rotation regulation is enforced to maintain auditor independence so that auditors can continue to prioritize the principles of integrity and objectivity in examining financial statements, as required by the code of ethics (IAPI, 2021). Academics and the accounting profession have advocated for audit rotation because audit rotation is considered to help maintain auditor independence, objectivity, and professional skepticism (Sari & Rahmi, 2021). Companies are advised to implement regular audit rotations that support auditors in maintaining independence and objectivity during the audit process and give external parties trust in the accuracy of financial disclosures. Auditors, as a check on the credibility of financial

statements, are expected to find material misstatements and disclosure errors in financial reports (Oktavia et al., 2023). This is supported by research (Winda & Hadiwibowo, 2023; Martani et al., 2021; Nursiam et al., 2021), that audit rotation can improve audit quality. The preceding discussion leads to the formulation of the study's initial hypothesis, which states that:

Ha₁: Audit rotation has a significant positive effect on audit quality

1.3.2 The Relationship between Audit Committee Oversight and Audit Quality

According to POJK No 55/POJK.04/2015, The audit committee was formed by the board of commissioners and is accountable to the board for assisting in the execution of the board's responsibilities and functions. This committee, mandated to be led by an independent commissioner (OJK, 2015). According to POJK No.9/POJK.04/2023, The audit committee has the responsibility to appoint auditors and KAPs who will audit the company and evaluate the provision of audit services provided by the auditors and KAPs (OJK, 2023). The audit committee as an independent party is expected to help overcome information asymmetry that occurs in financial statements by re-examining, ensuring the suitability of audit procedures performed by auditors, ensuring the company carries out good corporate governance and assessing whether the opinion issued by the external auditor is appropriate or not (Effendi & Ulhaq, 2021). According to SA 260 auditors will be invited regularly to attend committee audit meetings to discuss the scope of the audit, audit planning, key audit matters, information from the audit committee regarding fraud that occurs, and audit results, with these meetings the audit committee can assist auditors in identifying fraud that occurs, obtaining information needed during the audit process, developing audit procedures to obtain sufficient audit evidence and helping auditors overcome difficulties encountered so that the audit committee can help auditors to produce quality audits. This is supported by research (Lailatul & Yanthi, 2021; Triyanto & Putri, 2023; Sari & Nurhidayat, 2023). The previous discussion leads to the formulation of the second hypothesis of the study, which states that:

Ha₂: The audit committee oversight has a significant positive effect on audit quality

1.3.2 The Relationship Between Audit Capacity Stress and Audit Quality

Audit capacity stress is the pressure experienced by auditors due to the large workload borne by auditors when serving multiple clients at the same time (Akhbar & Sebrina, 2024) The high workload borne by auditors is generally caused by the busy season at the beginning of the year. This is related to the fact that most companies have a fiscal year-end in December, so at the beginning of the following year, an external auditor's audited financial reports must be prepared and submitted by the business, these conditions cause auditors to examine the financial statements of many clients that must be handled in a short time and simultaneously (Fadhilah & Halmawati, 2021). The high number of clients handled with limited time causes auditors to experience pressure to complete work quickly so that auditor skepticism will be disrupted so that the resulting audit quality will decrease, because auditors will immediately accept the evidence provided by the company without conducting a thorough audit procedure to obtain sufficient evidence and provide the right opinion (Winoto & Harindahyani, 2021). This is supported by research (Akhbar & Sebrina, 2024; Pertiwi & Erinos, 2020; Winoto & Harindahyani, 2021). The previous discussion leads to the formulation of the third hypothesis of the study, which states that:

Ha₃: Audit capacity stress has a significant negative effect on audit quality

1.3.3 The Relationship Between Audit Tenure and Audit Quality

Audit tenure refers to the contractual relationship established between KAP and the audited entity for auditing services within a certain period (Zahra & Hermanto, 2024). Auditors who have experienced a long engagement period will have more adequate knowledge of the characteristics of the company, so that auditors can provide better judgment when conducting the audit procedure (Andriani et al., 2020). An auditor will be able to re-evaluate the previous findings in the following year. Such a short duration limits their ability to analyze and cross-reference prior audit findings in subsequent evaluations, undermining the continuity and depth of the auditing process. An extended engagement timeline between auditors and clients enables auditors to gain deeper insights into the organization's financial and operational workflows. This will allow the auditors to plan and execute audit procedures appropriately that align with the ethical guidelines of the auditing profession, resulting in high-quality audits (Sari & Rahmi, 2021). This is supported by research (Salman & Setyaningrum, 2023; Jessica et al., 2021; Andriani et al., 2020). The previous discussion leads to the formulation of the fourth research hypothesis, which states that:

Ha4: Audit tenure has a significant positive effect on audit quality

The following is a conceptual framework of this research

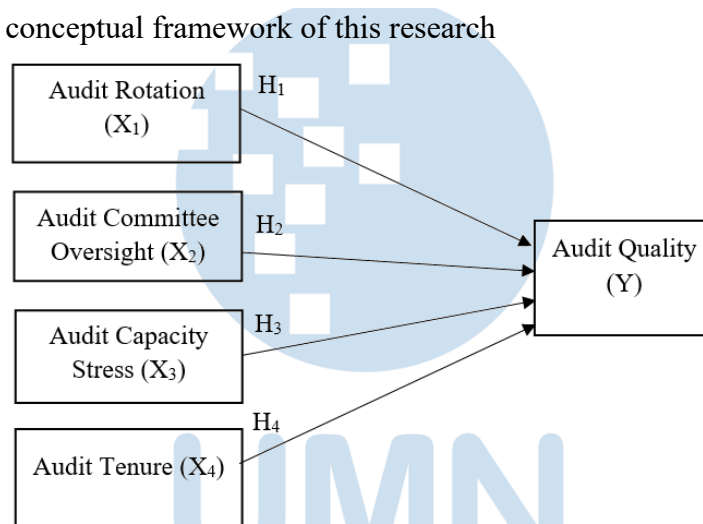


Figure 1. Research Framework

2. RESEARCH METHODOLOGY

2.1. Population and Sample

This research examines conventional banking subsector companies listed on the Indonesia Stock Exchange (IDX) over five years (2019 – 2023). Based on a purposive sampling technique, 34 companies were selected as the study sample based on the following criteria:

1. Banking subsector companies, especially conventional banks, which are consistently listed on the IDX during 2019 - 2023.
2. Banking subsector companies, especially conventional banks, publish annual financial statements audited by accounting firms registered with OJK during 2019 - 2023.
3. Banking subsector companies, especially conventional banks, present audit rotation information, audit committees meeting frequencies, and other information related in an annual report for the period 2019 – 2023.

4. Banking subsector companies, especially conventional banks, which publish annual reports and financial reports with Rupiah currency during 2019 – 2023.

2.2. Data Analysis Method

Data for this study were sourced from annual reports available on corporate websites and the IDX platform www.idx.co.id, and collected from the list of public accountants and KAP registered at www.ojk.go.id. The logistic regression analysis method was used in this study because a method suited for binary-dependent variables. In conducting logistic regression analysis, researchers used the EViews 10 program to analyze the data.

2.3. Research Model

The equation employed to test the hypothesis is:

$$\text{LN} \frac{AQ}{1-AQ} = \alpha + \beta_1 AR + \beta_2 AC + \beta_3 ACS + \beta_4 AT + e$$

Symbol information:

α	= Constant
AQ	= Audit Quality
$\beta_1, \beta_2, \beta_3, \beta_4$	= Regression Coefficient
AR	= Audit Rotation
AC	= Audit Committee
ACS	= Audit Capacity Stress
AT	= Audit Tenure
e	= Error

2.4. Operational Variables

2.4.1. Dependent Variables

Audit Quality

DeAngelo (1981) defines audit quality (AQ) as the auditor's ability to detect and report misstatements in the client's financial statements, meaning that the auditor can detect manipulation or violations committed by the client (Sukirman & Asih, 2021). A dummy scale is used in this study to quantify audit quality (Y), with a value of 1 for businesses audited by Big Four KAP and a value of 0 for businesses audited by non-Big Four KAP (Akhbar & Sebrina, 2024).

2.4.2. Independent Variables

Audit Rotation

Audit rotation (AR) is the rotation of auditors or KAP, which is carried out to maintain the independence of an auditor (Fadhilah & Halmawati, 2021). A dummy scale was used to measure audit rotation (X_1); organizations that rotate auditors had a value of 1, and those that do not had a value of 0 (Jessica et al., 2021).

Audit Committee

According to POJK No 55/POJK.04/2015, Audit Committee (AC) was formed by the board of commissioners and is accountable to the board for assisting in the execution of the board's responsibilities and functions. This committee, mandated to be led by an independent

commissioner (OJK, 2015). A ratio scale was used to measure the audit committee (X₂) (Lailatul dan Yanthi, 2021).

$$AC = \frac{\text{Number of audit committee meetings}}{4}$$

Audit Capacity Stress

Audit capacity stress (ACS) is the pressure experienced by auditors due to the large workload borne by auditors when serving multiple clients at the same time (Akhbar & Sebrina, 2024). In this study, audit capacity stress (X₃) was measured using a ratio scale by dividing the number of KAP clients in the industry by the number of auditors at KAP in the industry (Pertiwi & Erinos, 2020).

$$ACS = \frac{\text{Number of KAP clients}}{\text{Number of auditors in KAP}}$$

Audit Tenure

Audit tenure (AT) refers to the contractual relationship established between KAP and the audited entity for auditing services within a certain period (Zahra & Hermanto, 2024)). In this study, audit tenure (X₄) was measured using an interval scale, the first year of KAP's engagement with the company starts with number 1 and each subsequent year of continued engagement is reflected by an incremental increase of one (Pamungkas et al, 2022).

3. RESULT AND DISCUSSION

3.1. Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis Results

	AQ	AR	AC	ACS	AT
Mean	0.5647	0.4471	3.1706	0.6851	5.2118
Maximum	1.0000	1.0000	10.250	1.2222	16.000
Minimum	0.0000	0.0000	1.0000	0.0833	1.0000
Observations	170	170	170	170	170

Source: E-views, 2025

Table 1. shows that, the audit quality (AQ) has a mean score of 0.5647, suggesting no significant difference between the number of firms audited by KAP Big Four and KAP non-Big Four. Audit rotation (AR) has a mean score of 0.4471, which shows that audit turnover carried out in this research sample was relatively low. Audit committee (AC) shows an average score of 3.1706, which suggests that banking firms typically conduct around 12 audit committee meetings annually. This implies that several firms in the banking sector exceed the minimum required number of audit committee meetings. Audit capacity stress variable (ACS) has an average score of 0.6851, indicating that auditors in banking firms generally manage more clients than the standard capacity. This suggests that the burden borne by auditors at KAP in the banking subsector tends to be low due to the possibility of sharing workload between partner auditors when handling clients. Audit tenure (AT) has a mean value of 5.2118, The results show that the average banking subsector company listed on the IDX uses the same KAP more or less within 5 years.

Table 2. Distribution Frequency Audit Quality

Value	Count	Percent	Cumulative Count	Cumulative Percent
0	74	43.53	74	43.53
1	96	56.47	170	100.00
Total	170	100.00	170	100.00

Source: E-views, 2025

Based on table 2, describes audit quality variable is valid, indicating all the data observations can be analyzed. The total observation data that has good audit quality is 96 or 56.47% of the total sample studied. The observation data that has poor audit quality is 74 or 43.53% of the total sample. This indicates that the average audit quality data in this research has good audit quality because it has a value of more than 50%.

Table 3. Distribution Frequency Audit Rotation

Value	Count	Percent	Cumulative Count	Cumulative Percent
0	94	55.29	94	55.29
1	76	44.71	170	100.00
Total	170	100.00	170	100.00

Source: E-views, 2025

Referring to Table 3, it describes the audit rotation has a valid value because all of its data can be processed. The total observation data that did not perform audit rotation was 94 or 55.29% of all samples studied. While the number of data points that performed audit rotation was 76, or 44.71% of the total samples. So, in conclusion, the average data in this study did not perform audit rotation.

3.2. Logistic Regression Analysis

3.2.1 Goodness of Fit Test

Fit test of this model was evaluated through the Hosmer and Lemeshow Goodness of Fit Test, by examining the H-L statistic. If the resulting p-value exceeds 0.05, it indicates that the model appropriately fits the observed data and can be considered reliable for further interpretation.

Table 4. Hosmer and Lemeshow Test

H-L Statistic	9.0925		Prob. Chi-Sq(8)	0.3346	
Andrews Statistic	79.6610		Prob. Chi-Sq(10)	0.0000	

Source: E-views, 2025

Referring to the table above, the H-L statistic result is 9.0925 with a p-value of 0.3346, which exceeds the 0.05 threshold. This indicates that the proposed regression model is suitable for further examination, as it aligns well with the actual data.

3.2.2 Expectation Prediction Evaluation Test

Table 5. Expectation Prediction Evaluation

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
% Correct	79.73	89.58	85.29	0.00	100.00	56.47
% Incorrect	20.27	10.42	14.71	100.00	0.00	43.53

Source: E-views, 2025

Referring to the table above, finding the model demonstrates a correct prediction rate of 79.73%. Therefore, it can be inferred that the model performs adequately and is considered reliable with a prediction accuracy of 79.73%.

3.2.3 Hypothesis Testing

Table 6. Logistic Regression Analysis Results

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-5.952306	1.013792	-5.871326	0.0000
X1 RA	0.241279	0.488422	0.493998	0.6213
X2 KA	0.714422	0.186293	3.834937	0.0001
X3 ACS	5.046195	0.770202	6.551779	0.0000
X4 AT	0.149804	0.062882	2.382297	0.0172
McFadden R-squared	0.515444	Mean dependent var		0.564706
LR statistic	120.0032	Avg. log likelihood		-0.331799
Prob(LR statistic)	0.000000			

Source: E-views, 2025

The results in Table 6 reveal that the McFadden R-squared value is 0.5154. This indicates that the independent variables, which include audit rotation, audit committee, audit capacity stress, and audit tenure, account for 51.54% of the variation in audit quality. The remaining 48.46% is attributed to other factors not examined in this research. For the F test, the LR statistic is 120.0032 with a p-value of 0.000, and since 0.000 is less than the significance level of 0.05, this means that all independent variables together have a significant influence on the dependent variable.

3.3. Hypothesis Discussion

3.3.1 The Effect of Audit Rotation on Audit Quality

Referring to Table 6, Audit Rotation (AR) shows a positive coefficient of 0.2413 with a significance level of 0.6213, where the value of $0.6213 > 0.05$. Since the p-value exceeds the 0.05 threshold, the first hypothesis is rejected, indicating that audit rotation does not have a significant effect on audit quality. This suggests that when auditors uphold a high degree of professionalism and maintain their independence, the implementation or its absence of audit rotation does not materially affect the independence of external auditors in auditing the company's financial statements. These findings are consistent with prior studies by (Fauziyah & Praptiningsih, 2020; Tahun et al., 2024; Jessica et al., 2021), which also show that audit rotation has no significant effect on audit quality. Audit rotation may neither increase nor decrease auditor independence. As long as the auditors remain committed to adhering to the public accountant's code of ethics and motivated to maintain their professional reputation, they are likely to execute audit procedures effectively and issue accurate audit opinion, regardless of the familiarity with the client. Furthermore, the auditor rotation observed in this study is relatively limited. Because auditor rotation is mandatory, in practice it often becomes a formality. In many cases, auditor rotation involves only replacement of the signing audit partner, while most of the audit team – such as managers, senior auditors, supervisors – as well as the audit procedures and working system, remain unchanged. As a result, the overall quality of the audit is likely to remain constant, which may explain why this study does not find a significant effect of audit rotation on audit quality.

3.3.2 The Effect of Audit Committee Oversight on Audit Quality

Referring to Table 6, the variable audit committee (AC) shows a positive coefficient score of 0.7144 with a significance level of 0.0001, where the value of $0.0001 < 0.05$. This supports the acceptance of the second hypothesis, indicating that audit committee oversight

has a significant positive influence on audit quality. An increased frequency of audit committee meetings enhances their supervision over both internal operations and external auditors. By coordinating with the section that reports the financial statements and then also discussing the weaknesses in the financial statements, so that the results of this discussion can become insights for external auditors. Insight received from the audit committee, as an independent party that has a lot of information about the company's internal affairs, will help external auditors who have weaknesses in knowing all the company's internal conditions during the audit process. Additionally, more frequent meetings allow the audit committee to more effectively monitor and support external auditors, so that it can provide more effective support to auditors, especially when dealing with difficulties in the audit process (Elmashtawy et al., 2023). These findings align with the results of prior studies conducted by (Sari & Nurhidayat, 2024; Triyanto & Putri, 2023; Lailatul & Yanthi, 2021), which shows that the audit committee oversight has a positive effect on audit quality.

3.3.3 The Effect of Audit Capacity Stress on Audit Quality

Referring to Table 6, the variable audit capacity stress (ACS) shows a positive coefficient value of 5.0462 with a significance level of 0.0000, which is $0.0000 < 0.05$. The findings indicate that audit capacity stress has a significant and positive relationship with audit quality, thereby leading to the rejection of the third hypothesis, as it contradicts the initial assumption that audit capacity stress would negatively influence audit quality. This means that when the workload borne by auditors is higher, they are encouraged to adopt a smarter working method by emphasizing efficiency and effectiveness during the audit process. External auditors can streamline their efforts by focusing on high-risk and material areas through their audit approach. Moreover, the integration of technology in the audit process can further enhance efficiency and outcomes. These findings are supported by prior research conducted by (Maong, 2022; Zunita et al., 2022; Triyanto & Putri, 2023), which also concluded that audit capacity stress has a positive effect on audit quality. With the large number of clients handled by the auditor, this will not make the performance of an auditor decrease because the auditor can manage the workload borne, besides that when an auditor has difficulty, the auditor can ask for help from partner auditors who can audit the same industry so that the workload borne will be lighter and the auditor can still produce good audit quality through the many new experiences the auditor gets when auditing a large number of clients.

3.3.4 The Effect of Audit Tenure on Audit Quality

Referring to table 6, the variable audit tenure (AT) reveals a positive coefficient of 0.1498 with a significance level of 0.0172. Since this value is less than 0.05, the fourth hypothesis is accepted. Therefore, it can be inferred that audit tenure positively influences audit quality. This means that A longer duration of engagement between the public accounting firm (KAP) and the client allows the auditors to gain understanding of the client's business, including business risks, organizational structure, products or services offered and regulations relevant to the client company so that if there is a change of auditors at the same KAP, the new auditor auditing the company will have an overview of the client company's business information that has been obtained by KAP so that it will help external auditors to plan and perform appropriate audit procedures to generate audit quality. This conclusion is consistent with prior research by (Pamungkas et al, 2022; Jessica et al., 2021; Andriani et al., 2020), who found that longer audit tenure contributes positively to audit quality. Extended auditor-client relationships allow the auditor to have more time to further examine the

evidence obtained in the previous year, so that the audit results provided provide better audit quality than the audit results provided by KAP, which has just audited the client company.

4. CONCLUSION

This study's results indicate that oversight by the audit committee, stress related to audit capacity, and the duration of audit engagements are all positively linked to an enhancement in audit quality. This implies that supervision by the audit committee contribute to improve audit quality. Moreover, when auditors produce high-quality audits, a greater workload for them will motivate external auditors to work intelligently by enhancing their efficiency and effectiveness during the audit process. Additionally, an extended collaboration duration between public accounting firm and the client leads to improved audit quality, as the external auditor gains a better understanding of the client and can create more suitable audit procedures. This familiarity enables the audit firm to utilize knowledge gained from past engagements.

The findings of this research aim to offer useful insights for auditors in enhancing audit quality by broadening their client portfolio and adopting efficient workload management techniques. Moreover, the study's results could provide direction for regulatory agencies in assisting external auditors by formulating suitable policies that maintain auditor independence. Organizations can strengthen the oversight function of the audit committee by holding more regular meetings and promoting improved communication between the committee and external auditors, which in turn enhance audit quality. This collaborative approach ensures that supervision of management and external auditors is more effective, ultimately contribute to delivering higher-quality audit.

Future research on the determinants of audit quality is encouraged to incorporate additional variables - such as audit fees and industry-specific expertise - in order to broaden the scope of analysis, and improve the robustness of the findings. Based on the current study's results, audit rotation does not appear to have a significant effect on audit quality. This finding may be attributed to the limitations in the measurement of audit rotation, which in this study was confined to the change of the external auditor responsible for signing the audit report within a single year, which may not fully capture potential impact on audit quality To provide a more accurate and comprehensive understanding of the effect of audit rotation, future studies are recommended to consider broader measures, including rotation of multiple engagement partners involved in audit process, not limited to the signing auditor. Such an approach would better capture variations in audit procedures and findings resulting from auditor rotation. Furthermore, subsequent research is advised to employ more comprehensive proxies for audit quality. For example, the use of discretionary accruals – which indicate the auditor's effectiveness in detecting earnings management-may offer a more precise and informative measure of audit quality compared to traditional proxies based solely on audit reputation.

5. LIMITATION

Like any study, this research has certain limitations. The measurement of audit rotation is limited to auditor changes occurring within a one-year period, which may not fully capture its long-term impact on audit quality. Additionally, the proxy used to measure audit quality is relatively general, as it is based solely on the reputation of the audit firm (i.e., whether it is a Big 4 or non-Big 4 firm). This approach may not adequately reflect the comprehensive nature of audit quality, which encompasses qualitative and quantitative dimensions.

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The image shows a large, light blue watermark of the logo for Universitas Muria Kudus (UMN). The logo consists of a stylized 'U' and 'M' above the letters 'UMN'. The watermark is centered on the page and is semi-transparent.