Audit Quality Of Telecommunication And Providers Sector Companies Listed On The Indonesia Stock Exchange In 2021-2023

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Abstract

This study aims to determine the effect of managerial ownership, audit committee, and auditor turnover on audit quality. The population used is telecommunications sector companies and providers listed on the Indonesia Stock Exchange for the 2021-2023 period. The sample used was 63 data from 21 telecommunications sector companies and providers listed on the Indonesia Stock Exchange for the 2021-2023 period, with a sampling technique of *purposive sampling* or using certain considerations and criteria. The data analysis techniques used were descriptive statistical analysis, logistic regression analysis, determination coefficient test (R^2), t-test, and F-test. The result's research stated that the managerial ownership variable has a significant effect on audit quality with a significant value of 0.024. The audit committee variable has a significant effect on audit quality with a significant value of 0.041. The auditor turnover variable has a significant effect on audit quality with a significant value of 0.008. Simultaneously, the three independent variables (managerial ownership, audit committee, and auditor turnover) have a significant effect on audit quality.

Keywords: *Managerial Ownership, Audit Committee, Auditor Switching, Audit Quality*

INTRODUCTION

In preparing financial reports, there are often differences of opinion between company management and shareholders which result in information gaps in the financial reports. The accounting profession which is responsible for making relevant and timely financial reports is one of the most important parts of the company. The increasing regulation to regulate business and the importance of accounting information has resulted in an increasing need for the accounting profession which exceeds the number of graduates in the labor market (Karno et al., 2022: 15). Timeliness of financial reporting is important; and could influenced by company size, and company age leaving out the profitability and audit quality (Ismawati, et al, 2024: 152). The higher the profitability, the higher the timeliness of submitting financial statements (Martciesa, 2021: 88); Adriana (2024: 598) also stated that profitability, company size, regulation, and compliance with accounting standards affected the timelines.

Auditors's performance currently faces challenges in gaining public trust (Hidayat, et al, 2023: 568). Public accountants are defined as independent third parties who provide audit services on relevant, accurate, complete, and fairly presented financial statements to be used as considerations for decision-making by investors or other parties to assess a company. The company's management expects that the audited financial statements can be used without material misstatements and can be trusted (Karno et al., 2022: 16). The quality of the auditor is seen from how the auditor finds violations in the preparation of financial statements that are not in accordance with the principles of the accounting system and reports these violations while maintaining an independent attitude (Ghafran & Sullivan, 2019: 9); because the audit opinion will also affect the going concern audit opinion, the sustainability of the company's business (Kristianasari & Ismawati, 2022: 83).

The purpose of a financial statement audit is to show whether the company presents financial statements fairly and in accordance with accounting principles (Karno et al., 2022: 16). An auditor in providing audit services needs to have sufficient understanding and experience in the field of auditing because auditors with little experience and a lack of independence can hinder and reduce audit quality. The level of independence and assertion of the auditor must be high to allow the financial statements to be free from material misstatements (Khudhaira, 2018: 273).

Managerial ownership is defined as the amount of shares owned by the board of directors, board of commissioners, and company managers as measured by the percentage of the number of shares owned by the managerial group with the total shares outstanding (Inayati & Azizah, 2021: 3). Owners are more likely to employ professional managers or agents to run their companies, and these executives may be in charge of corporate governance. For motivating managers and enhancing firm performance, managerial ownership is proposed to align interests between owners and managers. Besides, the executives' shares can be discussed through two aspects: the observable features such as firm size, control potential of owners and industries, and the unobservable characteristics like firm heterogeneity (Di, 2021: 1471).

The audit committee is defined as an important mechanism for companies to assess the quality of financial reports with members who have sufficient experience in finance (Ghafran & Sullivan, 2019: 3). A quality audit committee should not have too good a relationship with internal management to avoid differences of interest between the two parties and allow the audit committee and auditors not to be independent (Khudhaira, 2018: 271). The effectiveness of good management can guarantee a maximum profit through sales and investment (Ismawati & Trisnowati, 2022: 2001)

Managerial shares are a corporate governance mechanism that helps align the interests of company management and shareholders. The high burden of the cost of transferring company resources by management increases the level of managerial ownership and has a positive impact on company performance (Obago et al., 2021: 864). Company management involved in share ownership will be motivated to improve performance and be directly involved in decision making and facilitate supervision of the company's operational activities (Johanes et al., 2021: 88).

The duties of the audit committee are to appoint external auditors, determine audit fees, and oversee all aspects related to audits and financial statements. The greater the number of committee members in a company, the higher the audit quality because fewer financial statement revisions are made (Yohan, 2023: 3-4). The purpose of the audit committee is to act as a mediator between external and internal auditors, supervise the work of auditors, compensate auditors, and assist company management in resolving issues related to financial statements and audits. In addition, the audit committee has the right to appoint independent advisors and consultants (Khudhaira, 2018: 274).

The audit committee functions to provide views on financial policy issues, accounting, internal control related to audit quality, and maintain auditor independence in providing audit services (Aprilia & Kusumawati, 2023: 414). The number of audit committee members should not be less than three or more than five people who specialize in finance and accounting, have recent and relevant experience, and at least one member is an independent director but not an executive director (Boshnak, 2021: 2).

Auditor change or audit rotation is the change of public accountants in providing financial statement audit services for a maximum of three consecutive years. The change of auditors is intended so that the independence and accuracy of auditors while carrying out their duties are not disturbed (Karno et al., 2022: 19-20). Auditor changes based on agency theory can clearly see the level of business performance achievement in the company. Changing auditors is very necessary to maintain auditor independence. Auditors who change clients tend to be able to create a new work environment and can be more objective in conducting audits so that the level of audit quality is higher (Aprilia & Kusumawati, 2023: 414).

Auditor quality also has a significant influence on the timeliness of financial reporting, which automatically improves the quality of the company (Putri & Ismawati, 2022: 118). To improve audit quality and auditor independence, binding rules are needed that can be used as guidelines in financial statement audit activities and auditor changes. The implementation of auditor change provisions is based on the Decree of the Minister of Finance of the Republic of Indonesia No. 423/PMK.06 /2002 concerning Public Accounting Services adopted from the Sarbanes-Oxley Act 2002. These provisions concern the decision to change auditors for three years and the rotation of audit firms for five years (Fauziyah & Damayanti, 2021: 37).

The decision was revised through the Regulation of the Minister of Finance Number 17/PMK.01/2008 issued on February 5, 2008 where the change of audit for Public Accountants is carried out every three years while the change of auditors for Public Accounting Firms is carried out every six years. In addition, provisions related to the change of auditors were issued by BAPEPAM-LK through the Decree of the Chairman of Bapepam and LK Number KEP-310/BL/2008 dated August 1, 2008 which states that Public Accounting Firms and Public Accountants can accept re-audit assignments for the same client after 1 (one) fiscal year of not auditing the client (Karno et al., 2022: 19-20).

Agency theory is the relationship between management acting as an agent and shareholders as *principals* . In this study, agency theory is used because of the relationship between company management that provides financial reports and shareholders as users of financial reports to be used as considerations for investment decision making. In preparing relevant financial reports, management requires a third party to oversee the quality of financial reports that are free from material misstatements. Company management has the right to appoint a public accountant to audit financial reports by considering various aspects such as managerial share ownership, the number of members included in the audit committee, and the change of auditors within a certain period.

METHOD

This study uses secondary data in the form of financial reports of telecommunications sector companies and providers accessed through the official website of the Indonesia Stock Exchange, namely www.idx.co.id , which was implemented in 2025. The population used is telecommunications companies and providers listed on the Indonesia Stock Exchange for the period 2021-2023, totaling 24 companies. The sample used was 63 data from 21 telecommunications companies and providers listed on the Indonesia Stock Exchange for the period 2021-2023. The sampling technique in this study was *purposive sampling* or with certain considerations and criteria, such as:

1. Telecommunication companies and providers listed on the Indonesia Stock Exchange for the 2021-2023 period.
2. Telecommunication companies and providers that regularly present annual financial reports for the period 2021-2023 .

Data Analysis Techniques

1. Descriptive Statistical Analysis

Ghozali (2013: 19) explains that descriptive statistics provide an overview or description of data seen from the minimum, maximum, average *(mean)* and standard deviation values.

2. Hypothesis Testing

a. Logistic Regression Analysis

Logistic regression is used to test whether the variables of managerial ownership, audit committee, and auditor turnover affect audit quality. This test is conducted using the SPSS version 21 program. The equation of the *logistic regression model* used is as follows:

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$

Information:
Y : Audit quality
X_1 : Managerial Ownership
X_2 : Audit Committee
X_3 : Change of Auditor

b. Coefficient of Determination (R^2) Test

The coefficient of determination (R^2) is used to measure the ability of the model to explain the variation of the dependent variable (Ghozali, 2013: 97). Gujarati (2003) in Ghozali (2013) stated that if the empirical test obtains a negative Adjusted R^2 value, then the Adjusted R^2 value is considered to be zero. Mathematically, if the R^2 value is - 1, then the Adjusted $R^2 = R^2 = 1$, while if the R^2 value is - 0, then the Adjusted $R^2 = (1 - k) / (n - k)$. If k> 1, then the Adjusted R^2 will be negative.

c. Significance Test of Individual Parameters (t-Statistic Test)

The t-statistic test basically shows the influence of one explanatory/independent variable individually in explaining the variation of the dependent/bound variable (Ghozali, 2013: 98). If the significant result is > 0.05 then H0 is accepted, while if the significant result is < 0.05 then H0 is rejected and uses an alternative hypothesis.

d. Simultaneous Significance Test (F Statistic Test)

The F statistical test shows whether all independent or free variables included in the model have a joint influence on the dependent or bound variable (Ghozali, 2013: 98). If the probability <0.05 then H0 is rejected and H1 is accepted. If the probability >0.05 then H0 is accepted and H1 is rejected.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

TABLE 1

Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
MANAGERIAL OWNERSHIP	63	,001	95,636	16,157	25.516
AUDIT COMMITTEE	63	3	9	3.29	1,288
CHANGE OF AUDITORS	63	0	1	,11	,317
AUDIT QUALITY	63	0	1	,43	,499
Valid N (listwise)	63				

Source: Data processed in 2025

Table 1 above shows the results of descriptive statistical tests. The managerial ownership variable produces a minimum value of 0.001; a maximum value of 95.636; a *mean value* of 16.157; and a standard deviation of 25.516. The audit committee variable produces a minimum value of 3; a maximum value of 9; a *mean value* of 3.29; and a standard deviation of 1.288. The auditor turnover variable produces a minimum value of 0; a maximum value of 1, a *mean value* of

0.11; and a standard deviation of 0.317. The audit quality variable produces a minimum value of 0; a maximum value of 1; a *mean value* of 0.43; and a standard deviation of 0.499.

Logistic Regression Analysis

1. Regression Model *Goodness Of Fit Test*

goodness of fit test of the regression model uses the *Hosmer and Lemeshow Chi Square test. H0 is accepted and is able to predict its observation value if the Hosmer and Lemeshow* statistical value is > 0.05.

Table 2
Hosmer and Lemeshow Test Results

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	12,759	8	,120

Source: Data processed in 2025

Table 2 shows the results of *the Hosmer and Lemeshow Test* where the significant probability is 0.120 which means > 0.05 then H0 is accepted and the model is able to predict the observed value. This means that the logistic regression model is suitable for further analysis because there is no real difference between the predicted and observed classifications.

2. Overall Model *Fit Test*

The regression model is said to be good if the *log likelihood value* at *block number* = 0 is greater than the *log likelihood value* at *block number* = 1 and is said to be poor if the *log likelihood value* at *block number* = 0 is smaller than the *log likelihood value* at *block number* = 1.

Table 3
Overall Model Fit Test Results

Iteration History [a,b,c]

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	86,046	-,286
	2	86,046	-,288
	3	86,046	-,288

Source: Data processed in 2025

Table 4
Overall Model Fit Test Results

Iteration History [a,b,c,d]

Iteration	-2 Log likelihood	Coefficients			
		Constant	X1	X2	X3
1	79,826	-1,327	-,013	,370	,279

Step 1	2	79,289	-1,889	-,014	,558	,312
	3	79,125	-2,411	-,014	,732	,313
	4	79,067	-2,919	-,014	,901	,313
	5	79,046	-3,421	-,014	1,069	,313
	6	79,038	-3,922	-,014	1,236	,313
	7	79,035	-4,423	-,014	1,403	,313
	8	79,034	-4,923	-,014	1,570	,313
	9	79,034	-5,423	-,014	1,736	,313
	10	79,034	-5,923	-,014	1,903	,313
	11	79,034	-6,423	-,014	2,070	,313
	12	79,034	-6,923	-,014	2,236	,313
	13	79,034	-7,423	-,014	2,403	,313
	14	79,034	-7,923	-,014	2,570	,313
	15	79,034	-8,423	-,014	2,736	,313
	16	79,034	-8,923	-,014	2,903	,313
	17	79,034	-9,423	-,014	3,070	,313
	18	79,034	-9,923	-,014	3,236	,313
	19	79,034	-10,423	-,014	3,403	,313
	20	79,034	-10,923	-,014	3,570	,313

Source: Data processed in 2025

Table 3 and table 4 show the results of *the log likelihood value* at *block number* = 0 of 86.046 . The *log likelihood value* at *block number* = 1 is 79.034. This means that there is a decrease so that the regression model is good because the *log likelihood value* at *block number* = 0 is greater than the *log likelihood value* at *block number* = 1.

3. Regression Coefficient Test

The regression coefficient test can be determined using *variables in the equation* , where in the significant column compared to the alpha level of 0.05 or 5%. If the significance level <0.05 then H1 is accepted.

TABLE 5

Regression Coefficient Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	,403	,062		6,528	,000
	MANAGERIAL OWNERSHIP	,017	,007	,284	2,309	,024
	AUDIT COMMITTEE	,100	,048	,258	2,087	,041
	CHANGE OF AUDITORS	1,000	,362	0.333	2,761	,008

Source: Data processed in 2025

Table 5 shows the results of the regression coefficient test which are explained in detail as follows:

$$\mathbf{Y = 0.403 + 0.017X_1 + 0.1X_2 + 1X_3 + e}$$

a. The constant value obtained is 0.403, which means that if the independent variables (managerial ownership, audit committee, and auditor change) do not exist or have a value of zero, then there is a possibility of an increase in audit quality of 0.403.
b. The regression coefficient value of the managerial ownership variable is 0.017, which means that each unit increase in the managerial ownership variable results in an increase in audit quality of 0.017.
c. The regression coefficient value of the audit committee variable is 0.1, which means that each increase in the audit committee variable unit results in an increase in audit quality of 0.1.
d. The regression coefficient value of the auditor turnover variable is 1, which means that each unit increase in the auditor turnover variable results in an increase in audit quality of 1.

Coefficient of Determination (R^2) Test

The coefficient of determination (R^2) is used to measure how far the regression model's ability to explain the variation of the dependent variable. A small R^2 value means that the ability of the independent variables to explain the variation of the dependent variable is very limited.

Table 6
Results of the Determination Coefficient (R^2) Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,303 [a]	,046	,092	,487

Source: Data processed in 2025

The results of the coefficient of determination (R^2) test in table 6 above show that the adjusted R^2 is 0.092 or 9.2%. This means that 9.2% of the variation in audit quality can be explained by the variation of the five independent variables (managerial ownership, audit committee, and auditor turnover), while the rest (100% - 9.2% = 90.8%) is explained by other variables outside the model.

Individual Parameter Significance Test (t-Statistic Test)

The t-statistic test shows how far the influence of one independent variable individually or partially in explaining the variation of the dependent variable. If the significant result is > 0.05 then H0 is accepted while if the significant result is < 0.05 then H0 is rejected and uses an alternative hypothesis.

Table 7
Statistical Test Results t
Coefficients [a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	,403	,062		6,528	,000
	MANAGERIAL OWNERSHIP	,017	,007	,284	2,309	,024
	AUDIT COMMITTEE	,100	,048	,258	2,087	,041
	CHANGE OF AUDITORS	1,000	,362	0.333	2,761	,008

Source: Data processed in 2025

The significant value of the managerial ownership variable is 0.024 or less than 0.05, which means that H1 is accepted and H0 is rejected, so that managerial ownership has a significant effect on audit quality. The significant value of the audit committee variable is 0.041 or less than 0.05, which means that H2 is accepted and H0 is rejected, so that the audit committee has a significant effect on audit quality. The significant value of the auditor turnover variable is 0.008 or less than 0.05, which means that H3 is accepted and H0 is rejected, so that auditor turnover has a significant effect on audit quality.

Simultaneous Significance Test (F Statistic Test)

The F statistical test shows whether all independent or free variables included in the model have a simultaneous or joint influence on the dependent or bound variable.

Table 8
F Statistic Test Results
ANOVA [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14,008	1	14,008	601,351	,000 [b]
	Residual	1,421	61	,023		
	Total	15,429	62			

Source: Data processed in 2025

Table 8 shows a significant value of 0.000 or less than 0.05. This means that simultaneously, the independent variables (managerial ownership, audit committee, and auditor turnover) have a significant effect on audit quality.

CONCLUSION

The conclusion that can be drawn from the explanation in this study is that the managerial ownership variable has a significant effect on audit quality with a significant value of 0.024. The audit committee variable has a significant effect on audit quality with a significant value of 0.041. The auditor turnover variable has a significant effect on audit quality with a significant value of 0.008. Simultaneously, the three independent variables (managerial ownership, audit committee, and auditor turnover) have a significant effect on audit quality.

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