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THE EFFECT OF AUDIT FEE AND AUDIT EFFORT ON AUDIT QUALITY (IN MANUFACTURING COMPANIES LISTED ON INDONESIA STOCK EXCHNGE 2017-2019)

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ABSTRACT

This study aims to examine the effect of audit fee and audit effort on the audit quality of manufacturing companies in Indonesia. The independent variables in this study are Audit Fee and Audit Effort. Meanwhile, the Audit Quality is a dependent variable depending on its measurement using dummy variable of Big Four and Non-Big Four.

The results of this study will show whether audit fee and audit effort have an effect on increasing or decreasing audit quality. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2017-2019. The sampling method used in this study was the purposive sampling method with predetermined criteria to produce 180 samples of manufacturing companies to be studied. The data used are secondary in the form of financial reports and company annual reports obtained through the website www.IDX.co.id and financial information from the Bloomberg terminal. The research was tested using the logistic regression analysis using SPSS 21 software.

The results of this study indicate that audit fee has a positive and significant effect on the audit quality. Then the effect of audit effort has no effect on the audit quality.

Keywords: Audit Quality, Audit Fee, Audit Effort

BACKGROUND

The issuance of audited financial statements is mandatory for listed companies on the Indonesia Stock Exchange. The financial statements audit is carried out by an auditor who is an independent external party to the company. Auditors are required to perform their duties independently without any pressure from any party to produce audited financial reports with a good audit quality. Based on the statement of FASB (Financial Accounting Standard Board), the function of financial statement is to present the information used by those who make corporate economic decisions. Besides, according to Hendriksen et al. (2001), the financial statements have to provide useful information for creditors, existing investors, potential investors, and other users in terms of making the analytical decisions. Thus, a good financial statement must have relevant, objective, and reliable information. Relevant information is information that could affect the users' decisions regarding the financial statements by strengthening or changing their expectations (Jamaan, 2008).

In order to meet the needs of the company in reflecting the actual condition of the company, the company hires auditors to conduct audits of financial statements. An audit is crucial since it provides credibility to the financial statements and gives the assurance for the shareholders that the accounts are true and fair. In addition, it can also help to have a better internal controls and systems of the company. According to Arens (2017), the reason in conducting an audit of financial statement is to make sure the information consists in financial statements that being verified is stated in accordance with specified criteria. The audited financial statements issuance is required for companies listed in the Indonesia Stock Exchange. The financial statements of companies listed on the Indonesia Stock Exchange must be examined by an independent and qualified auditor, so that auditors are required to work professionally, follow applicable standards or regulations, and comply with the code of ethics of public accountants.

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Audit quality is a complex and multidimensional concept. According to the International Auditing and Assurance Standard Board (IAASB) in 2011, perceptions of audit quality may be vary between stakeholders, depending on their level of involvement in the audit and the tools used to measure audit quality. Many experts try to define audit quality and one of the definitions of audit quality is defined by De Angelo in 1981. Audit Quality is defined as the joint probability in which an auditor will discover and report the infringements that exist in the accounting system of its clients (De Angelo, 1981). He also stated that the Public Accounting Firm (KAP) size is the main indicator in assessing audit quality, even though audit quality is something that cannot be measured directly. Most studies have employed public accounting firm size as main indicator or proxy in assessing audit quality. In other words, these studies state that the audit quality of Big 4 public accounting firms is better than non-Big 4 public accounting firms. Lennox (1999), DeFond (2002), and Francis (2004) confirmed the finding of De Angelo's study, namely the existence of a positive relationship between public accounting firm size and audit quality. Based on previous studies, it can be concluded that the larger the size of the public accounting firm, the higher the quality of the audit provided because large public accounting firms need to protect and maintain the reputation they already have. According to Dopuch and Simunic (1980), the firm size of the public accounting firm also determines the number of training programs provided for auditors, a stronger and more standardized audit methodology, and more possibilities for reviewing audit results.

Audit effort is an important factor on impacting the quality of the audit. Audit effort affects the probability of auditor in detecting all forms of irregularities in the financial reports they audit which require an audit adjustment. The audit adjustment exists when two conditions are come out. First, when auditor finds a misstatement in the pre-audit financial statements. Secondly, when the auditor finds a misstatement and management of the client are required to fix it by adjusting the financial statements (Lennox, 2014). When audit effort is greater, audit adjustments may occur more often as well so that more audit procedures can be implemented by the auditors in order to improve the misstatements detection. Then, the reasonableness of the financial statements will be more impacted by the detected misstatements. Audit effort also means that when the auditors have an effective way to communicate with management of the client and convince the auditors to fix the misstatements by adjusting. Thus, it can be stated that the greater the audit effort given by the auditor, the higher the audit quality that will be produced.

The definition of audit fee is the charged fee in the financial audit services by a public accountant to their client (Iskak 1999). Yuniarti (2011) on her study stated that the charged fee depends on the complexity of the duties, assignment risks, auditor's expertise, and the other professional considerations. The result of her study states that the higher audit quality will be provided if the audit fee is higher as well. However, the amount of audit fee will possibly influence the auditor independence which does not comply with the public accountant's code of ethics. Small audit fees can limit the cost and time in performing the complete audit procedures, while the big amount of audit fee could cause public accountant firms turn into hesitant to oppose the client's will (Wati and Subroto, 2003). In Indonesia, several things must be considered in setting the audit fee by all members of IAPI which consists of expected to provide confidence to the public accountants itself and the clients so that audit fee will truly reflects the responsibility of public accountants and the level of risk.

Based on the previous studies, several inconsistent results from several studies such as research by Wati and Subroto (2003) shows that audit fee has a positive and significant effect on audit quality, while, research by Yuniarti (2011) stated that there is no significant effect of audit fee on audit quality. In this research, the authors focus on examined the effects of audit fee and audit effort on audit quality on listed manufacturing companies in Indonesia Stock Exchange during 2017-2109. The measurement of audit quality will be the size of the company of the Public Accounting Firm (KAP) which refers to the of the public accounting firm's company size which is directly proportional to the quality of the resulting audit. Meanwhile, the audit effort will be measured by the log of the product that precisely reflects the audit team working time on a project of an audit based on the total amount of inventories and receivables divided by the total assets. (Vuko and Cular, 2014).

THEORITICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Agency theory is a developed by Jensen & Meckeling in 1976. It is one of the positive theories of accounting which pursues to explain the practices and standards of accounting. According to Jensen & Meckeling (1976), an agency relationship will emerge when there is a contract involving two parties consisting of principals (owner/shareholders) and agents (management). Both parties are involved to achieve certain services under the interests of the principal. The separation of the ownership function and the management function often creates problems due to the gap in interests between shareholders as principals and managers as agents since shareholders have an interest in getting the maximum return on the funds invested while managers have an interest in obtaining high incentives for managing these funds. In the perspective of agency theory, it will lead to asymmetric information that can be described as a condition of inequality in information acquisition between shareholders as information's users and management as the provider of the information (Ujiyantho, 2007).

Agency theory explains that one of the agency costs that need to be considered is the audit fee of an external auditor. The external auditor is an independent party who is required to provide assurance that the information presented by the manager has a reasonable level of credibility and is in accordance with applicable standards. Assurance of information presented by managers is needed by shareholders and other stakeholders due to the limited information they have. Therefore, audit quality becomes a very important thing to note because the higher the quality of an audit, the higher the level of credibility of the information presented by managers, so that it will be better in reducing agency problems that occur in a company.

The relationship between agency theory and audit fee is that the auditor as an independent third party plays a role in resolving agency conflicts between managers and owners/shareholders through the audit process. Audit quality is very important because audit quality will determine the level of confidence in the audit report submitted by the auditor. Lower fees are usually set by the auditor at the beginning of the engagement in order to gain clients, and low fees can cause auditors to adjust their audit effort. Based on this explanation, audit fees can affect audit quality.

The relationship between agency theory and audit effort is that as an independent third party plays a role in overcoming agency conflicts between managers and owners/shareholders through the audit process. Audit quality is very important because audit quality will determine the level of confidence in the audit report submitted by the auditor. When the audit effort is greater, the audit adjustments may occur more often. Audit effort is a vital factor impacting audit quality so that it will increase the level of trust in the information presented by managers, so as to reduce agency conflict. Based on Caramanis and Lennox (2008), audit effort increases the quality of audited financial statements since the auditors will have more probability in finding, adjusting, and reporting material misstatements. The greater the audit effort, the more audit quality will be improved and the more it can reduce agency problems that occur within the company.

The Effect of Audit Fee on the Audit Quality

Gammal (2012) proves that multinational companies and banks in Lebanon prefer to pay large nominal audit fees because they are more looking for auditors who can produce quality audit reports and can increase the credibility of financial statements. Furthermore, Pramaswardana and Astika (2017) argue that the greater the fees given, the more motivated auditors to improve their abilities and performance so as to produce good audit quality.

According to research conducted by Hartadi, B. (2012), Kurniasih and Rohman (2014), and Chrisdinawidanty et al., (2016) argue that audit fee has a positive and significant effect on audit quality. Audit quality produced by the auditors is influenced by the audit fee paid by the company for the services of auditors. Chrisdinawidanty et al., (2016) stated that if the audit fee paid by the company is higher, the resulting audit will have a higher quality as well. Auditors with high audit fees will expand the audit procedures performed on client companies. So that the possibility of fraud in the client company report can be detected. This fraud detection can reflect the good quality of the audit process.

H1: Audit fee has a positive effect on the Audit Qualty

The Effect of Audit Effort on the Audit Quality

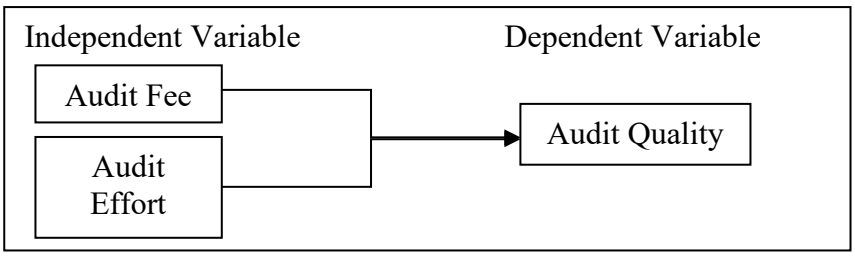
Audit effort is the number of days spent by the auditor or the audit team to audit an entity or the number of days used by the audit team in doing its work (Lennox, 2008). The days spent can be measured by calculating the total amount of inventories and receivables divided by the total assets. Regarding the agency theory, audit effort is needed since it also determines the level of trust in the information presented by managers in order to reduce agency conflict. The days spent by the audit team start since the auditors accept business entrustment, make a plan of audit work, identify, evaluate, and respond to material misstatement risk, and prepare audit reports so that it is necessary for auditors to have a hard work in order to do an audit successfully. Similar to Dye (1993, 1995) and Hillegeist (1999) which argue that overstated earnings are more likely detected when auditors perform hard work. Thus, the conclusion is audit effort is an important factor that could affect the audit quality.

There are several impacts of audit effort on audit quality such as when the audit effort is greater, the audit adjustments may occur more often as well. In addition, the misstatements found are more likely to have a significant proposed audit adjustment with more sufficient and proper audit evidence. Based on Caramanis and Lennox (2008), audit effort increases the audited financial statements quality since the auditors will have more possibilities in finding, adjusting, and reporting material misstatements.

H2: Audit Effort has a positive effect on the Audit Quality

This framework will outline the logic of the research to be carried out. There are three variables used in this study, namely audit fee, audit effort, and audit quality.

Figure 1
Research Framework



RESEARCH METHODOLOGY

Research Variable

This study uses two different types of variables and will be used to test the proposed hypothesis. These variables include the dependent variable and the independent variables.

Dependent Variable

Dependent variable is a variable whose value is influenced by the independent variable. The dependent variable used in this study is audit quality. Measurement of audit quality will be dummy variable of Big Four and Non-Big Four.

Audit quality in this study is proxied by the audit report audited by Big Four or Non-Big Four public accountant firms and measured using dummy variables. Value of 1 is given if the company's financial statements are audited by Big Four, while value of 0 is given if the financial statements are audited by the Non-Big Four.

Dummy variable for audit quality which is audit quality resulting from Big Four public accountant firms = 1, and Non-Big Four public accountant firms = 0

Independent Variable

The independent variable is one that affects the dependent variable either positively or negatively. The independent variable in this study are audit fee and audit effort.

Audit Fee

According to Agoes (2012), audit fees are rewards in the form of money or goods or other forms which are given to or received from clients or other parties to obtain an engagement from a client or other party. In other words, the audit fee is a fee provided by a client / company to a public accountant in return for services provided by the auditor. The amount of the charged fee may vary differently depends on how complex the company is.

To obtain quality audit results requires greater costs, because the auditor needs to understand how the company is by knowing all information related to the company. To find out this information requires a higher cost. With high audit fees, it will also broaden and deepen the scope of audits carried out by auditors so that auditors can find errors that may occur within the company. Thus, the quality of the resulting audit will be even better. Audit fees in this study were measured using natural logarithmic proxies for audit fees or expert honoraria contained in the company's annual report.

AUFEE: Natural logarithm (ln) of audit fees.

Audit Effort

Various literatures define audit effort as the number of days used by the audit team (Caramanis and Lennox, 2008). Audit time refers to how many days are required to complete the whole audit process. Research data in most countries are obtained from their respective countries or from outside the country according to what data wanted to get through a questionnaire during the whole audit process.

In this study, audit effort is interpreted as the log of the product of the size of the audit team and the total field audit time. This study used the amount of inventories and accounts receivables and then divides the company's total assets to examine how far the audit effort is required in a company (Vuko and Cular, 2014).

(InvRec) = (Inventories + Receivables) / Total Assets

Population and Sampling Determination

The sampling method used in this research is purposive sampling method by paying attention to certain criteria and considerations as desired by the researcher. The population used in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) to facilitate data collection because the IDX provides information about companies on their website.
The author uses several requirements for the sample:

1. Manufacturing companies listed in Indonesia Stock Exchange (IDX) during 2017-2019
2. Manufacturing companies published their annual report and financial statements that have been audited by external auditors
3. The information in the annual report and financial statements during 2017-2019 contains data that can be used to measure both of the independent variables and dependent variables
4. Manufacturing companies that publish the financial statements in IDR (Indonesian Rupiah)

Data Analysis

This section will discuss all statistical techniques needed to help this research obtain descriptive statistical analysis results and hypotheses testing. In this study, data analysis used the logistic regression analysis. Binary logistic regression analysis is the analytical method in this research since the dependent variable is dummy (the auditor is Big Four or the auditor is non-Big

Four) and the data in this study is non-metric in the dependent variable, while the independent variable consists both of continuous variables (metric data) and categorical (non-metric data). Because of the independent variables, the assumption of the multivariate normal distribution cannot be fulfilled. It causes a change in function to logistic so that normality test and classical assumption test are not required on the independent variable. According to Gujarati (2009), in logistic regression, the assumption of normality is not required in the independent variable and ignores heteroscedasticity.

RESULTS AND DISCUSSIONS

Research Objects and Data Description

Based on the purposive sampling method, it was found 180 samples in this study. The following is a summary table of the population and samples used in this research:

Table 1
Data Samples

No.	Criteria	2017	2018	2019	Total
1.	Manufacturing sectors in Indonesia which are listed on the IDX in during 2017-2019.	77	77	77	231
2.	Companies that did not publish the annual reports in IDR (Indonesia Rupiah).	(2)	(2)	(3)	(7)
3.	Companies that do not include audit fees in the annual report.	(17)	(12)	(13)	(42)
4.	Total research sample.	58	63	61	182
5.	Sample which is an Outlier.	(1)	0	(1)	(2)
6.	The final sample used in the study.	57	63	60	180

Source: Secondary data, processed (2021)

Descriptive Statistical Analysis

Descriptive statistical analysis is used to present and provide an overview related to the research. It provides an overview or description of data consists of the mean, minimum, maximum,

standard deviation, sum, variance, range, kurtosis, and skewness (slope distribution) (Ghozali, 2018). The following results from the descriptive statistical analysis test are shown in the table below:

Table 2

Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Audit Effort	180	.01	.80	.3371	.16551	.404	.181	-.188	.360
Audit Fee	180	16.77	24.30	20.5802	1.32394	-.004	.181	.016	.360
Valid N (listwise)	180								

Source: Secondary data, processed (2021)

Based on table 2 obtained from 180 samples of manufacturing companies listed on the Indonesia Stock Exchange (IDX) and there are 3 variables, namely audit fee, audit effort and audit quality. Audit quality is measured by dummy variable as the dependent variable. The results of the descriptive statistical analysis test using 180 companies have a standard deviation value which shows how far and the size of the data distribution from the average (central) value of the data set has been carried out.

The results of descriptive analysis show that the audit fee that measured by the natural logarithm of the audit fee for each company produces the lowest value of 16.77 which occurred at PT Madusari Murni Indah Tbk in 2017 and the highest value of 24.30 which occurred at PT Sreeya Sewu Indonesia Tbk in 2017. These results illustrate the value of manufacturing companies in Indonesia as the sample of this study is ranging from 16.77 to 24.30 and has mean of 20.5802 and a standard deviation of 1.32394.

The lowest INVREC value was 0.10 which occurred at PT EterindoWahanatama TBK in 2019 while the highest INVREC value was 0.80 which occurred at PT Alakasa Indutrindo TBK in 2017. The lowest and highest values mean that the lowest audit effort is 0.10 and the highest was 0.80. The INVREC average value is 0.3371 and for the standard deviation is 0.16551. The results illustrate that the sample companies have an average audit effort of 0.3371.

Table 3
Descriptive Statistical Analysis of Audit Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Big Four	111	61.7	61.7	61.7
	Big Four	69	38.3	38.3	100.0
	Total	180	100.0	100.0	

Source: Secondary data, processed (2021)

It can be seen from the table above that the audit quality variable contains 111 observational data or 61.7% which are included in the Non-Big Four category. On the other hand, the observation data of 69 samples are included in the Big Four category or equal to 38.3%. Thus, the total observation data on the audit quality variable is a total of 180 research samples.

Multicollinearity Test

The correlation value between the audit effort and audit fee as independent variables can be used to find out whether multicollinearity occurs as shown in the table below:

Table 4
Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-2.853	.538		-5.302	.000		
	Audit Effort	-.140	.202	-.048	-.695	.488	.963	1.038
	Audit Fee	.160	.025	.433	6.316	.000	.963	1.038

Source: Secondary data, processed (2021)

The test results show that it has a tolerance value > 0.10 and VIF value < 10 so that the model is free from multicollinearity. It can be an indicator that the correlation between the independent variables is still relatively small. In conclusion, in this study, the regression model is multicollinearity free.

Goodness of Fit Test (Hosmer and Lemeshow Test)

The goodness of fit test of a logistical model can be carried out by the Hosmer and Lemeshow Test. Testing the suitability of this model is important, because if the model is known to be unfit, further analysis cannot be carried out. The null hypothesis in this test is that the model is said to be unsuitable or not fit, while the alternative hypothesis is that the model is suitable and empirically able to explain the variables. The Hosmer and Lemeshow's Test results are shown below:

Table 1
Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	14.270	8	.075

Source: Secondary data, processed (2021)

Overall Model Fit (Omnibus Test of Model Coefficient)

It tests whether the independent variables have an effect on the dependent variable, namely audit quality. It can be carried out based on the significance value while the Chi-square value is a decrease in the -2 Log Likelihood value. It can be concluded that the simultaneous use of independent variables in the research model can predict the dependent variable if the significance shows a value for less than the significance level of 0.05. On the other hand, if the significance value shows a value of more than 0.05, there is no significant effect of independent variables together on the dependent variable. The following is the Omnibus Test results are presented in the table as follows:

Table 2
Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	39.353	2	.000
	Block	39.353	2	.000
	Model	39.353	2	.000

Source: Secondary data, processed (2021)

Coefficient of Determination (Nagelkerke R Square)

The table below shows that the Nagelkerke R Square value is 0.267. It means that both of independent variables can explain the dependent variable by 26.7%, and other variables not in this study explain the remaining of 73.3%. It shows that that both of the variation of the independent variables, namely the audit fee and audit effort, can explain the variation in the audit quality variable by 26.7%.

Table 3
Nagelkerke R Square

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	200.289[a]	.196	.267

Source: Secondary data, processed (2021)

Model Accuracy Test (Classification Table)

The model accuracy test is used to determine how this model can precisely predict the results of the study. If the accuracy of the model will be higher if the value is higher. The test was carried out using SPSS software. The following table will present the results of the model accuracy test.

Table 4
Classification Table

Observed			Predicted		
			Audit Quality		Percentage Correct
			Non Big Four	Big Four	
Step 1	Audit Quality	Non Big Four	91	20	82.0
		Big Four	34	35	50.7
	Overall Percentage				70.0

Source: Secondary data, processed (2021)

Results Interpretation, and Discussion

Hypothesis testing uses logistic regression test which is carried out on each of the independent variables on the dependent variable. Logistic regression test is completed by comparing a significance value of α (0.05) with the significance value of results of the test. The hypothesis is accepted if the significance value is above 0.05. In contrast, the hypothesis is rejected if the significance value is below 0.05. Variable in the Equation table show the parameter estimation. The following is the effect of the independent variables on the dependent variable and the relationship between variables:

Table 5
Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1[a]	Audit_Effort	-.504	1.108	.207	1	.649	.604	.069	5.295

	Audit_Fee	.837	.161	27.084	1	.000	2.310	1.685	3.167
	Constant	-17.659	3.451	26.182	1	.000	.000		

Source: Secondary data, processed (2021)

The Effect of Audit Fee on Audit Quality

Natural logarithm of the audit fee is used as the measurement of the audit fee variable in the table shows a regression coefficient of 0.837 with a significance level (ρ-value) of 0.000 <0.05. Second hypothesis is accepted since the level of significance is smaller than α = 0.05. Thus, the second hypothesis which is audit fee has a significant effect on audit quality can be proven in this study.

Empirical evidence indicates in this study in manufacturing companies, this condition occurs because a higher audit fee will result a better audit quality and if the audit fee gets smaller, the audit quality provided by the auditor will decrease as well. The findings of this research support the research findings conducted by Rahmina & Agoes (2014) and Kurniasih & Rohman (2014) which state that there is a large effect of the audit fee paid by the company or client as an audit service fee on audit quality. The audit quality can be improved by the higher costs since the audit fee obtained in a year and the estimated operation costs are required to perform the entire audit process. According to the findings of this study, it is proven that in Indonesia, auditors of public accounting firms that have high audit fees are likely to provide quality audit results that can satisfy clients. Based on the agency theory, it can be concluded the agency theory is important to minimize the audit fee due to the asymmetric information and uncertainty conditions.

On the other hand, the finding of this research is not in line with study conducted by Yuniarti (2011). She states that there is no significant effect of audit fee on audit quality because it cannot be predicted by audit fee. Based on her study, auditors independent attitude affects the audit quality the audit quality is not affected by how much the audit fee is given.

The Effect of Audit Effort on Audit Quality

The variable of audit effort is measured using the log of the product with a significance level (ρ-value) of 0.649> 0.05. First hypothesis is rejected since the level of significance is greater than α = 0.05. There is no significant effect of audit effort on audit quality in this research and the log of the product might not be a good measurement for audit effort since it has low standard deviation which causes the results to be insignificant. Thus, the first hypothesis which is audit effort has a significant effect on audit quality cannot be proven in this study

Empirical evidence indicates in this study on manufacturing companies, a greater audit effort is not a guarantee for a better audit quality, and vice versa. Based on the findings of my research, in relation with agency theory, it can be concluded that the greater audit effort cannot increase the level of trust in the information presented by managers. The finding of this research is not in line with the study conducted by Tusheng Xiao, et al. (2020) that found that audit effort has a significant effect on audit quality that the influence of audit process and audit output can improve the quality of the audit.

CONCLUSIONS AND LIMITATION

This research examines the effect of audit fee and audit effort on audit quality. Based on the analysis and discussion in the previous section, there are the following results. First, audit fee has a positive and significant effect on audit quality. The findings of this research support the research findings conducted by Rahmina & Agoes (2014) and Kurniasih & Rohman (2014) which state that there is a large effect of the audit fee paid by the company or client as an audit service fee on audit quality. Secondly, audit effort has no significant effect on audit quality. The finding of this research is not in line with the study conducted by Tusheng Xiao, et al. (2020) that found that audit effort has a significant effect on audit quality that the influence of audit process and audit output can improve the quality of the audit.

The limitation in this study is the Nagelkerke R Square value is 26.7% which means the remaining 73.3% is explained by other variables not used in this study that has effect on audit quality and the dependent variables used in this study can explain the dependent variable of 26.7% only.

Evaluation of the limitations of this study provides recommendations or suggestions for further research which are adding other variables outside of this research model such as auditor's independence so that the Nagelkerke R Square value can increase and we can find out more about the factors that affect audit quality and further research can at least re-examine the independent variables that are associated with the audit quality since considering that there are inconsistencies on this study with several previous studies.

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