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Audit Quality Determinants with Audit Report Lag as a Moderator on State-Owned Enterprises in Indonesia

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ABSTRACT

This research examines the moderating role of audit report lag (ARL) with the association between foundational audit elements (audit firm rotation, auditor switching, audit fees, and auditor gender diversity) and audit quality. By focusing on State-Owned Enterprises (SOEs) listed under the BUMN20 Index, it employs descriptive and inferential statistical analyses through panel data regression and Moderated Regression Analysis (MRA). The findings reveal that all non-moderated associations do not considerably influence audit quality. Inference from the moderation role, it is found that ARL weakens the correlation of audit fees and auditor gender diversity on audit quality. Shortly, it indicates the critical importance of maintaining output quality and timeliness in auditing.

ABSTRAK

Penelitian ini mengkaji peran moderasi dari ARL dalam hubungan antara elemen-elemen dasar audit (rotasi kantor akuntan publik, pergantian auditor, biaya audit, dan keberagaman gender auditor) terhadap kualitas audit. Dengan berfokus pada Badan Usaha Milik Negara (BUMN) yang terdaftar dalam Indeks BUMN20, penelitian ini menggunakan analisis statistik deskriptif dan inferensial melalui regresi data panel dan Analisis Regresi Moderasi (MRA). Hasil temuan menunjukkan bahwa semua hubungan yang tidak dimoderasi tidak berpengaruh terhadap kualitas audit. Inferensi dari peran moderasi, ditemukan bahwa ARL melemahkan korelasi antara biaya audit dan keberagaman gender auditor terhadap kualitas audit. Singkatnya, hasil ini mengindikasikan pentingnya menjaga kualitas output dan ketepatan waktu dalam proses audit.

Keywords:
Audit Quality Determinants, Audit Report Lag, Auditor Gender Diversity, BUMN.

1. INTRODUCTION

DeAngelo (1981) and DeFond et al. (2016) define audit quality as the audit probability of material misstatements in a company's financial statements. Corbella et al. (2015) explain that audit quality results from auditors' experiential learning cycle regarding professional standards and other auditing ecosystems. Furthermore, from an uncertainty standpoint of agency theory (Francis, 2004; Rajgopal et al., 2021), audit quality is highly complex, making it difficult to assess before an audit failure occurs.

Cases related to financial statement fraud involving independent auditors are still prevalent in Indonesia (Achmad et al., 2022; Ikbal et al., 2020). Some of these cases illustrate that independent auditors responsible for issuing opinions on the fairness of a company's financial reporting have failed to detect material misstatements, thus indicating poor audit quality. The Indonesia Fraud Survey conducted by the ACFE (Association of Certified Fraud Examiners) reveals that External Audits rank third as a means of fraud detection, with a percentage of 9.6%, which is lower than other methods that can reach up to 15.1% as a means of fraud detection in Indonesia. Meanwhile, the 2016 Indonesia Fraud Survey showed that external auditors ranked second at 16.5%, indicating a decline in the contribution of external auditors as a means of fraud detection in Indonesia (ACFE Indonesia, 2020). The results of the Indonesia Fraud Survey also revealed that State-Owned Enterprises (SOEs) ranked second as the most affected institutions by fraud in Indonesia, with a rate of 31.8%. This loss is reflected in the prevalence of financial statement fraud cases involving independent auditors in SOEs (ACFE Indonesia, 2020).

The phenomenon of independent auditors concealing fraud in a company's financial statements can lead to a crisis of confidence in their independence, thus potentially weakening the quality of the audit produced (Prianthara et al., 2023). Examples of fraud in Indonesia involving auditors include PT Garuda Indonesia in 2018 and the corruption cases of PT Waskita Karya and PT Waskita Beton Precast in 2022. These cases highlight auditors' negligence as the reason for undetected material misstatements, underscoring the need to comply with applicable audit standards to ensure good audit quality. Furthermore, independent auditors' capabilities should continuously improve to maintain their principles while achieving relevant and reliable audit quality (Bassey et al., 2020; Kertarajasa et al., 2019; Tepalagul & Lin, 2015).

Previous research has shown inconsistencies in the results regarding the factors that influence audit quality, making it difficult to draw general conclusions about which factors affect audit quality (Gros & Worret, 2014). Independent auditors' role as gatekeepers is to corroborate the audited financial statements to prevent fraud. Their profession is also accountable for assuring that a company's financial statements are presented accurately according to applicable accounting principles (Prianthara et al., 2023). Furthermore, good audit quality is intertwined with the quality of financial statements due to the auditor's role as an

independent and professional guarantor (DeAngelo, 1981; Farouk & Hassan, 2014; Ismail et al., 2020; Kamolsakulchai, 2015). Thus, the auditor's opinion on a company's financial statements can assist stakeholders, such as investors and creditors, in assessing the financial reports to make strategic decisions (Hasan et al., 2020; Kaawaase et al., 2021; Osadchy et al., 2018).

Given the urgency above, questions arise about the factors influencing the quality of a company's financial statement audits. According to previous research, audit firm rotation is one of the foundational keys to success in improving audit quality. Furthermore, Martani et al. (2021) argue that audit firm rotation significantly impacts audit quality. Conversely, Bulucea (2022) and Kalanjati et al. (2019) assert that audit firm rotation negatively impacts audit quality.

Based on previous research, auditor switching is another factor influencing audit quality. In detail, Hunt et al. (2021) and Martani et al. (2021) argue that auditor switching positively affected audit quality. However, this contrasts with research conducted by Che et al. (2020) and Mohapatra et al. (2021), which found that auditor switching negatively impacts audit quality.

Further research reveals that audit fees are another factor with a significantly positive impact on audit quality (Cahan & Sun, 2015; Choi et al., 2010; Corbella et al., 2015). However, contrary to results by Mansur et al. (2022), Salehi et al. (2019), and Sari & Sedana (2020) explaining that audit fees negatively impact audit quality.

Moreover, another factor influencing audit quality is auditor gender diversity. According to research by Alhababsah & Yekini (2021), gender diversity has no significant impact on audit quality. Conversely, (Hardies et al., 2016) found that auditor gender significantly positively affects audit quality, being consistent with research by (Garcia-Blandon et al., 2019; Mnif & Cherif, 2023; Nekhili et al., 2022), who reported significant positive effects of female auditors on audit quality. The final factor affecting audit quality is ARL, which has positively impacted audit quality (Rusmin & Evans, 2017; Tanyi et al., 2010). Conversely, studies by (Garcia-Blandon et al., 2020; Wiyantoro & Usman, 2018) suggest that ARL can negatively influence audit quality.

2. LITERATURE REVIEW AND HYPHOTESIS DEVELOPMENT

Agency Theory

Raimo et al. (2021) explain that within an organisation, there are two parties: the owner (principal) and management (agent). Furthermore, Jensen & Meckling (2019) describe it as a phenomenon-based concept that explains the contractual relationship between principal and agent. The principal delegates the decision-making responsibility to the agent through an agreed-upon employment contract (Fossung et al., 2022). In other words, the owner is responsible for providing capital, bearing business risks, and establishing incentives, while management is responsible for decision-making, performance, and risk-taking.

The central principle of this theoretical perspective is the involvement of an independent party that justifies the company's financial statements, thereby minimising the information asymmetry between the principal and the agent, which can lead to fewer agency conflicts (Adams, 1994). Furthermore, Raimo et al. (2021) and Fossung et al. (2022) inferred that the better the audit procedures that the auditor performs, the better the audit quality could be. Consequently, optimal audit quality helps to resolve information asymmetry issues between the principal and the agent. Therefore, the independent auditor's report must be high quality and presented under applicable standards.

Attribution Theory

Attribution theory explains individual behaviour patterns, emphasising how individuals interpret various events and how they relate to their mindset and actions (Heider, 1958). Furthermore, attribution theory also elucidates that behaviours related to attitudes and individual characteristics help to understand a person's ability to cope with certain situations (Anggoro, 2022).

This study uses attribution theory as a basis for understanding the internal and external factors that may influence the audit quality produced by an auditor. Internal characteristics, such as auditor independence and professionalism, are represented in audit firm rotation, auditor switching, and auditor gender diversity. Meanwhile, external factors that may influence auditor behaviour include audit fees. In other words, by using attribution theory, this study explores how these internal and external factors shape the auditor's actions and, consequently, the quality of the audit outcomes, including how various unpredictable events, especially ARL, could weaken that relationship.

Hypotheses Development

By referring to attribution perspectives, this study argues that audit firm rotation represents auditors' independence and professionalism as internal characteristics that could further influence audit quality. By these means, KAP rotation could enhance auditor independence by minimising the risk of conflicts of interest and preventing closeness that could potentially reduce the auditor's objectivity towards the client. Without KAP rotation, a prolonged audit engagement may foster an emotional relationship that risks diminishing audit quality. Auditors may be inclined to rationalise client errors to maintain a good relationship. Corbella et al. (2015) support this view by showing that KAP rotation improves audit quality. Therefore, this conclusion aligns with Martani et al. (2021), stating that KAP rotation significantly enhances audit quality.

Attribution theory also considers auditor switching as a significant internal characteristic, where auditor changes are important actions in maintaining audit quality. Periodically changing auditors minimises the risk of collusion between the auditor and the company's management, especially due to the personal closeness that might develop if an auditor serves a single

client for too long. By drawing back to the extant literature, Hunt et al. (2021) and Martani et al. (2021) found that auditor switching positively impacts audit quality, as it helps preserve the auditor's independence and objectivity. Cassell et al. (2020) also indicate that appropriate auditor rotation policies reinforce independence and improve audit quality.

Thirdly, audit fees are an external characteristic that plays an important role in influencing audit quality. Higher audit fees, commensurate with the complexity of the work, enable auditors to perform more thorough and detailed audit procedures, consequently increasing auditors' ability to detect anomalies in the client's financial statements, culminating in improved audit quality. Cahan & Sun (2015), Corbella et al. (2015), Huang et al. (2016), and other studies, including Choi et al. (2010), show that audit fees are one of the main factors affecting audit quality. Thus, we hypothesise that the audit fee amount could incentivise auditors to perform their work more effectively, culminating in higher audit quality.

By referring to Hardies et al. (2016), the authors argue that the differences in internal characteristics, such as gender, influence auditors' behaviour in carrying out their duties, which in turn affects audit quality. Female auditors tend to be more independent and meticulous, including upholding high ethical standards, which drives them to issue concerned opinions more frequently than their male counterparts. Hardies et al. (2016) and Nekhili et al. (2022) support the argument that gender diversity within audit teams improves audit quality. We believe gender diversity enriches perspectives in the audit process, ultimately contributing to enhanced audit quality, as Garcia-Blandon et al. (2020) and Mnif & Cherif (2023) found. Therefore, we develop our first to fourth hypotheses below by considering all these critical reasoning within the attribution theory and the principal-agent relationship.

H1: The rotation of audit firms substantially enhances audit quality.

H2: The transition of auditors substantially enhances audit quality.

H3: Audit fees exert a considerable positive influence on audit quality.

H4: The gender variety of auditors significantly enhances audit quality.

From moderating effect perspectives, rotation cycles in utilising public auditors could enhance auditor independence and audit quality. However, the necessary adaptation between the client and the new KAP may lead to an ARL due to knowledge adaptation in companies' business processes. Previous studies, such as those by Garcia-Blandon et al. (2020) and Wiyantoro & Usman (2018), indicate that ARL negatively impacts audit quality. Therefore, ARL is suspected of moderating the effect of audit firm rotation on audit quality, weakening the positive impact that would otherwise occur.

Auditor switching occurs to improve audit quality and refresh auditors' independent perspectives. However, this change could cause delays in completing the audit report, especially if the new auditor requires more time to comprehend the client's business domain and dynamic situation. According to agency theory, this delay could increase information asymmetry between the principal and the agent, ultimately reducing the relevance of financial statements. Previous research also shows that ARL negatively impacts audit quality, suggesting that in the context of auditor switching, ARL (Cassell et al., 2020; Garcia-Blandon et al., 2020; Martani et al., 2021; Wiyantoro & Usman, 2018) is likely to moderate and weaken the relationship between auditor change and audit quality.

The audit fee amount affects audit quality because of a resource discretion that could be allocated for the audit activities more effectively. However, an excessively high fee could raise public suspicion about the established working relationship. On the other perspective, the complexity of audit work accompanied by a higher audit fee often requires longer audit times, which may increase ARL. Furthermore, extant literature by Cahan & Sun (2015), Corbella et al. (2015), Garcia-Blandon et al. (2020), Huang et al. (2016), and Wiyantoro & Usman (2018) emphasise that ARL negatively affects audit quality. Thus, ARL could moderate the relationship between the audit fee and audit quality by weakening the positive impact of a higher fee.

Gender diversity within the audit team, particularly the presence of female auditors, has been identified as potentially enhancing audit quality since they tend to be more independent and cautious in providing opinions. However, the complexity of the audit that may arise from gender diversity could also lead to a higher ARL. This delay may reduce audit quality, as supported by previous studies (Hardies et al., 2016; Nekhili et al., 2022; Rusmin & Evans, 2017; Tanyi et al., 2010). Therefore, this study argues that ARL moderates the relationship between gender diversity and audit quality by weakening the positive influence of gender diversity on audit quality. Based on the critical reasoning developed in this study, we finally formulate the moderating-based hypotheses below.

H5: ARL moderates by weakening the association between audit firm rotation and audit quality.
H6: ARL moderates by weakening the association between auditor switching and audit quality.
H7: ARL moderates by weakening the association between audit fees and audit quality.
H8: ARL moderates by weakening the association between auditor gender diversity and audit quality.

3. RESEARCH METHODS

This research employs a deductive quantitative approach, wherein the processes of verification, development, and discovery of knowledge are derived from numerical data statistically analysed

with an emphasis on deductive reasoning. The study's population comprises SOEs listed on the IDX (BUMN20 Index) in 2019-2022. Consisting of 31 companies as its population, the SOE selection considers that SOEs are the economy's driving force, with one-third of the national economy being propelled by these entities. We utilised non-probability sampling with a purposive sampling technique to achieve this study's sample representativeness and objectives. In detail (Appendix 1), we summarise this study's operational definitions below.

4. RESULTS AND DISCUSSION

Descriptive Statistic Analyses Results

First, as with other archival data requiring classical assumption testing, the tests reveal no issues with normality, multicollinearity, heteroscedasticity, or autocorrelation tests. Next, the researchers conducted descriptive statistical analysis, providing an overview of the studied variables, as exhibited in Table 1.

Based on Table 1, the range of minimum-maximum values indicates a considerable variation in audit quality, from companies with relatively good audit quality (positive discretionary accruals) to those with poorer quality (negative discretionary accruals). Additionally, the average audit quality in this sample tends to be negative, suggesting that the sample generally has negative discretionary accruals. In short, the data distribution on audit quality infers that companies within the state-owned enterprise scope tend to practise accounting conservatism, which represents an effort to reduce the risk of overstating earnings (Hamilton et al., 2005; Kronenberger & Laux, 2022; Soliman, 2014; Watts, 2003).

Overall, this descriptive statistical data provides an overview of how each variable forms a pattern within the research sample, indicating significant variation, particularly in aspects such as ARL (Mean: 65.000), auditor switching (Mean: 0.471), and audit fees (Mean: 22.13). Conversely, gender diversity at the auditor partner level remains low (Mean: 0.057), while most companies do not engage in significant public accounting firm rotations (Mean: 0.171) or individual auditor changes (Mean: 0.471).

Table 1. Descriptive Statistic Results

	DAC	ROTA	SWIT	FEE	GEND	ARL
Mean	-0.038	0.171	0.471	22.13	0.057	65.000
Median	-0.023	0.000	0.000	21.953	0.000	63.000
Max.	0.074	1.000	1.000	24.873	1.000	146.000
Min.	-0.185	0.000	0.000	19.742	0.000	19.000
Std. Dev.	0.057	0.379	0.502	1.204	0.233	28.673

Source: Data Processed, 2024

Inferential Statistical Results

This study employs panel data regression and MRA as its statistical approaches to inferentially analyse the statistical results, ultimately leading to the drawing of conclusions based on the tested sample (Corbella et al., 2015; Kertarajasa et al., 2019; Prianthara et al., 2023) and grounded in the development of the research hypotheses (Adams, 1994; Hoitash et al., 2007; Huang et al., 2016). Therefore, a summary of the main statistical results is presented below, as shown in Table 2.

As reported in Table 2, audit firm rotation had a β-value of -0.099 with a p-value of 0.025 < 0.05, contrasting this study's first hypothesis direction. Secondly, auditor switching resulted from panel data regression with a β-value of 0.033 and a p-value of 0.344. By this means, the result did not support the second hypothesis. Furthermore, the third hypothesis's examination showed a contrary direction with a β-value of -0.022; therefore, the third hypothesis was not supported. Fourthly, the association examination between auditor gender diversity and audit quality resulted in a p-value of 0.199, meaning this finding did not support the study's fourth hypothesis.

From the MRA examination results, the finding did not support this paper's fifth hypothesis with a contrary direction result. The MRA test on the sixth hypothesis revealed that the ARL failed to weaken the association between auditor switching and audit quality with a p-value of 0.674. The seventh hypothesis showed that ARL successfully weakened (p-value: 0.003; β-value: -3.830) the correlation between audit fees and audit quality. Similarly, the result exhibited that ARL weakened the correlation between auditor gender diversity and audit quality, supporting this study's seventh hypothesis.

Table 2. Main Statistical Results

Hypo. (Direction)	Output		
	β	**Sig.**	**Conclusion**
H1 (+)	-0.099	0.025	Not supported
H2 (+)	0.033	0.344	Not supported
H3 (+)	-0.022	0.000	Not supported
H4 (+)	0.099	0.199	Not supported
H5 (-)	0.001	0.037	Not supported
H6 (-)	-0.000	0.674	Not supported
H7 (-)	-3.830	0.003	Supported
H8 (-)	-0.003	0.059	Supported

Source: Data Processed, 2024

Effects of Determinants: Audit Firm Rotation, Auditor Switching, Audit Fees, and Auditor Gender Diversity on Audit Quality

We suspect audit firm rotation, auditor switching, audit fees, and auditor gender diversity do not directly determine audit quality but are more likely shaped by complex environments. For instance, audit teams often comprise individuals with varying experience and expertise. In complex environments where team coordination is challenging, even competent auditors might struggle to deliver high-quality audits if team dynamics are unmanaged strategically. On the other hand, competence in making informed decisions is crucial. Still, the complexity arises in environments where auditors face pressure from clients or where regulations are ambiguous, which could challenge even the most skilled professionals (Che et al., 2020; Kalanjati et al., 2019; Mansur et al., 2022; Mnif & Cherif, 2023). By these means, even though SOEs strategically manage their audit firm rotation, including the auditors' member switch action, at the end of the day, auditors' competence at individual and team levels and adaptability are the foundational factors in determining audit quality.

From a resource allocation perspective, adequate time, personnel, and financial resources are necessary for conducting a thorough audit. By bringing it to the audit fees context, the authors further argue that while lower fees might lead to cutting corners, excessively high fees might create pressure to justify costs, potentially leading to biased outcomes and increasing auditors' prejudice in auditing processes (Choi et al., 2010; Corbella et al., 2015; Sari & Sedana, 2020). Therefore, arranging sufficient audit fees strategically, such as utilising the scope of work, quality and complexity consideration, and/or the client's financial situation, accumulatively culminates in achieving audit quality. These factors illustrate how audit quality is influenced by a combination of auditor competence and the challenges posed by the environments in which they operate.

By drawing back to attribution theory (Anggoro, 2022; Heider, 1958), gender diversity in any institutional form demonstrates two continuum points: new or quasi-improvement to team and work environment; the same applies to auditing practices. New organisational improvement means that gender diversity could broaden perspectives and improve communication; therefore, by incorporating different perspectives, gender-diverse teams can better identify risks, adhere to ethical standards, and deliver higher-quality audit outcomes. Conversely, diversifying gender within a work unit, although it could potentially bring positive changes, does not always result in significant change, including audit quality enhancement. Additionally, the existence of environmental elements, such as symbolic implementation and socio-structural limitations, that underlie the diversification actions ultimately only lead to incomprehensive or pseudo-impact (Garcia-Blandon et al., 2019; Mnif & Cherif, 2023; Nekhili et al., 2022), which aligns with this study's findings.

Moderated Effects of Audit Report Lag on Audit Quality's Determinants

ARL fails to illustrate its negative moderating role in audit firm rotation and auditor switching on audit quality, inferring how wide internal and external factors determine audit quality as demonstrated by attribution perspectives. Unnecessary switching or rotating actions could worsen clients' existing condition, which hinders the audit process. Instead, developing teamwork compatibility and cohesiveness could dynamically minimise delays, sequentially impacting audit quality improvement (Corbella et al., 2015; Mohapatra et al., 2021; Wiyantoro & Usman, 2018). In other words, rather than relying solely on frequent auditor rotation or switching, which can inadvertently disrupt the audit process and degrade audit quality, fostering strong compatibility between the auditor's specialisation and the client's needs and adaptability to changing circumstances is crucial. These findings align with Bulucea (2022), Chu et al. (2024), and Garcia-Blandon et al. (2019), disclosing insignificant negative effects of ARL throughout the proposed hypotheses (H5-6).

On the other hand, ARL succeeded in weakening audit fees and gender diversity's association with audit quality. High client fees followed by violation of time agreements lead to a vulnerable relationship between clients and auditors. As a result, the credibility of public accounting firms deteriorates because delays indicate the auditor's unprofessionalism, whereas high fees infer high trust and competence. These findings align with the extant literature (Mnif & Cherif, 2023; Sari & Sedana, 2020; Wiyantoro & Usman, 2018) by stating that delays in reporting auditing results reflect how unprofessional the auditors are, culminating in audit quality decline. From the last hypothesis result, gender diversification actions in the audit team are meaningless if they inaccurately report audit results. In addition, referring back to the agency perspective (Adams, 1994; Garcia-Blandon et al., 2019; Nekhili et al., 2022), the essence of audit work is eventually based on discipline based on the agreement between the auditor (agent) and the audited (principal). Therefore, no matter how sophisticated the strategic actions taken in audit processing are without being followed by commitment and professionalism, it will only worsen audit quality. This study's findings support (Hoitash et al., 2007; Sari & Sedana, 2020; and Wiyantoro & Usman, 2018), strengthening how ARL negatively worsens audit quality over time.

5. CONCLUSIONS AND SUGGESTIONS

This study's objective is to investigate the root causes–audit firm rotation, auditor switching, audit fees, and auditor gender diversity–of audit quality. On the other hand, it also tests the moderated function of ARL, focusing on SOEs listed within the BUMN20 Index as its sample.

This study's main findings indicate that the examined root causes insignificantly impact audit quality. Although ARL fails to moderate the association between auditor switching and audit firm

rotation with audit quality, ARL successfully weakens the positive effects of audit fees and auditor gender diversity on audit quality. These converse findings indicate that although higher audit fees and gender diversity in audit teams generally contribute to better audit quality, ARL's existence infers potential problems in the auditing process that could weaken this positive impact. In other words, these findings highlight the importance of maintaining the quality of audit outcomes and the timeliness of audit report completion. Additionally, ARL issues could blur the benefits that would otherwise accrue from greater resources (e.g., higher audit fees) and the highly independent-based auditing perspectives that gender diversity brings.

This study acknowledges its limitations by firstly arguing that the sample is confined to the SOEs listed on the IDX within the BUMN20 Index, which potentially limits this study's result generalisability to private companies or other sectors. Secondly, the study utilises data from 2019 to 2022, which may not fully reflect more recent trends or economic conditions. Future research could broaden this study's sample to other sectors and extend the time frame to assess the impact of these variables more comprehensively. Subsequent studies could also explore additional variables that may influence audit quality, such as auditor experience or company complexity, and consider the impact of technology on the auditing process.

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Appendix 1. Operational Definition of Variables

Variable	Definition	Indicator
Dependent Variable		
Audit quality (DAC)	The likelihood of material misstatements in a company's financial statements.	Step 1: TAC = Net Income – Cash Flow From Operations Step 2: $\frac{TAC_{i,t}}{TA_{i,t-1}} = \widehat{b_0}\left[\frac{1}{TA_{t-1}}\right] + \widehat{b_1}\left[\frac{\Delta Rev_{i,t}}{TA_{i,t-1}}\right] + \widehat{b_2}\left[\frac{PPE_{i,t}}{TA_{i,t-1}}\right] + \sum$ Step 3: $NDA_{i,t} = \widehat{b_0}\left[\frac{1}{TA_{i,t-1}}\right]\widehat{b_1}\left[\frac{\Delta Rev_{i,t} - \Delta TR_{i,t}}{TA_{i,t-1}}\right] + \widehat{b_2}\left[\frac{PPE_{i,t}}{TA_{i,t-1}}\right]$ Step 4: $DAC = \frac{TAC_{i,t}}{TAC_{i,t-1}} - NDA_{i,t}$ (Dehkordi & Makarem, 2011)
Independent Variable		
Audit firm rotation (ROTA)	A company's replacement action to utilize public accounting firms' auditing services, especially in auditing its financial statements based on applicable regulations.	ROTA is measured utilising a dummy variable by scoring 1 (one) if the company was audited by a different KAP than the previous year and 0 (zero) if the same KAP audited the company as the previous year (Corbella et al., 2015)
Auditor switching (SWIT)	Refers to changing individual auditors involved in conducting a company's audit.	SWIT is measured using a dummy variable by valuing 1 (one) if the company is audited by a different auditor than the previous year and 0 (zero) if the company is audited by the same auditor as the previous year. (Martani et al., 2021)
Audit fees (FEE)	Refers to the amount of money or compensation a public accounting firm determines for the provided audit services.	FEE= Ln (Audit Fee) (Cahan & Sun, 2015)

Variable	Definition	Indicator
Auditor gender diversity (GEND)	Auditor gender diversity or gender differences of auditor partners representing men and women in the audit profession in the KAP and audit engagement team.	GEND is measured using a dummy technique, valuing 1 (one) if the partner auditor is female and 0 (zero) if the partner auditor is male. (Alhababsah & Yekini, 2021)
Moderated Variable		
Audit report lag (ARL)	The required time to complete the audit report	ARL= Audit report date – accounting book closing date (Wiyantoro & Usman, 2018)

Source: Authors' Compilation (2024)