

BENCHMARKING AUDIT QUALITY USING GOOD CORPORATE GOVERNANCE

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Abstract

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The outcomes of the audit carried out by the auditor offer crucial information for investor decision-making (Purwanti et al., 2025), making audit quality (AQ) a critical aspect that requires attention. The effectiveness of the board of commissioners (BC) and the audit committee (AC), as a good corporate governance (GCG) mechanism, is a key determinant of AQ. The aim of this research is to combine the elements of the BC and the AC into a single comprehensive analysis to evaluate the impact of both on AQ. The study analyses a sample of 150 Indonesian publicly listed firms using logistic regression. The findings indicate that the performance of the BC does not significantly impact AQ. The effectiveness of the AC influences higher AQ. Some control variables, such as auditor tenure, public accounting firm size, company size, and institutional ownership, did not show an influence on AQ. Still, it is not the case for leverage. This research offers practical implications for policymakers to reassess the regulations concerning the BC and AC that companies must have, in order to enhance the efficiency of these bodies.

Keywords: Audit Committee, Board of Commissioners, Audit Quality, Going Concern, Good Corporate Governance

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1. INTRODUCTION

The concept of professionalism in auditing includes a high level of expertise and a strong commitment to ethical conduct. In Indonesia, professional auditors are bound by the standards set for public accountants, which are essential to maintain the quality of audit results. Audit findings supply

key evidence for investor decision-making. If a company's financial reports present an accurate and honest representation of outcomes and economic status, investors and other stakeholders can trust the information more. Frequently, audited financial reports serve as the only trustworthy source (Al Frijat & Al-Hajaia, 2025; Purwanti et al., 2025; Saleh et al., 2024).

Audits are the foundation of good corporate governance (GCG), with their efficiency relying on the development of the environment and consistent procedures, such as policies, regulations, and laws, to address agency problems and minimize agency costs (AlQadasi & Abidin, 2018; Mahmoud, 2014). The implementation of GCG principles is crucial for ensuring business sustainability and delivering benefits to investors (Nasrum, 2018). For this reason, internal control measures are necessary to guarantee the efficiency of the governance framework, which includes the board of commissioners (BC), executive directors, the audit committee (AC), and the management team. Assessing the performance of the AC and BC is crucial in evaluating the mechanism of GCG.

Issues emerged at PT Garuda because of breaches made by auditors, which emphasized the significance of audit quality (AQ) that demands careful consideration. The rejection made by the BC of the audited 2018 financial statements reflects an abnormality in the report, namely the recognition of income that should not have been recognized in accordance with applicable accounting standards. While this demonstrates effective oversight by BC, it also indicates that the AC is underperforming in its role as a liaison between the auditor and BC. As a result, the financial reports for 2018 were revised, but the outcomes of the changes revealed losses similar to those in the 2017 financial reports, which had also been audited. This incident, in the end, has the potential to lower the degree of trust investors have in the reliability of audited financial statements.

This case highlights the crucial role of the AC and the BC in ensuring AQ. Therefore, the main focus of this study is to examine how the effectiveness of the AC and BC, as mechanisms of GCG, can contribute to improving AQ.

Most studies that focus on the AQ test the characteristics of the BC and the AC, such as size, composition, or frequency of meetings, separately as independent variables that can affect AQ (Beisland et al., 2015; Dwekat et al., 2018; Ejeagbasi et al., 2015; Gerged et al., 2020; Talebnia et al., 2017; Khudhair et al., 2019; Ogoun & Perelayefa, 2020; Soliman, 2014). However, no approach combines these elements in a single comprehensive assessment system that includes size, composition, frequency of meetings, and competencies. According to Hassan et al. (2018), this is due to the view of researchers who consider GCGs as separate elements from each other, as well as how each mechanism handles problems within the company, thus ignoring the idea that the effectiveness of each mechanism depends on the other.

According to Hermawan (2011), utilizing a comprehensive evaluation system that takes into account factors such as the independence and competence of both AC and BC can provide a more thorough understanding of corporate governance effectiveness. Thus, this research integrates all components of the BC and AC into a single entity to evaluate their overall effectiveness. Additionally, it examines the direct impact of the effectiveness of both BC and AC on improving AQ.

This study contributes by integrating the components of BC and AC into a unified analysis to assess their impact on AQ, providing a more

comprehensive understanding of how corporate governance effectiveness enhances AQ.

The remainder of this paper is structured as follows. Section 2 offers a thorough review of the literature pertinent to the study. Section 3 outlines the research methodology employed to examine the connections between variables. Section 4 introduces the study's findings, including the results of hypotheses testing. Section 5 provides an extensive discussion of the research results, and Section 6 wraps up with concluding remarks, recommendations, and limitations.

2. LITERATURE REVIEW

2.1. Audit quality

The audit aims to provide an objective opinion on the corrected financial statements that may influence the decisions of the report users (Jelil et al., 2020). Therefore, AQ is crucial for evaluating the effectiveness and reliability of audits, particularly regarding the auditor's capacity to detect and report significant errors in audited financial statements. AQ pertains to the auditor's proficiency in detecting and revealing significant misstatements in financial statements, with their effectiveness assessed by the degree to which these statements are devoid of major errors (DeAngelo, 1981; Palmrose, 1988). High AQ enhances stakeholder trust in the reliability and precision of financial information (Al Frijat & Al-Hajaia, 2025; Purwanti et al., 2025; Saleh et al., 2024).

Measuring AQ is challenging as the extent of assurance provided by auditors cannot be directly observed (DeFond & Zhang, 2014), making the evaluation and determination of AQ metrics complex (Purwanti et al., 2025). Sulaiman et al. (2018) and Purwanti et al. (2025) said that proxies for assessing audit quality include input-output relationships, audit processes, and quality perception. One of the proxies based on outcomes is the going concern (GC) opinion, which is used to assess AQ as an outcome of the auditing process (DeFond & Zhang, 2014).

Christensen and Courtright (2015) and DeFond and Zhang (2014) mentioned that the GC's opinion is relevant in ensuring AQ. This GC opinion has significant significance because it provides substantial information to a wide range of stakeholders, including investors. Investors must clearly understand the financial situation of the company; therefore, auditors have the important task of publishing accurate GC opinions (Ghardini et al., 2024). According to Brunelli et al. (2021), the capital market is very interested in the theme of GC opinions. Furthermore, this opinion can have an impact not only on stockholders but also on lenders and other financial backers.

GC opinions offer several benefits in evaluating AQ. First, a failure to issue GCs correctly serves as a clear sign of poor AQ (excluding measurement concerns) (DeFond & Zhang, 2014). Secondly, the process of forming the GC opinion offers an immediate insight into the auditor's independence, which is vital as auditor independence is fundamental to the credibility of the audit (DeFond & Zhang, 2014; Syofyan & Vianti, 2021).

2.2. Board of commissioners

Within the context of Indonesia, the BC plays a different role from the board of directors, as this country adopts a two-tier system that separates its functions (Hermawan, 2011). In this system, BC functions as an oversight committee. Their responsibility is to ensure that management runs the company while considering the interests of all stakeholders and good governance principles (Komite Nasional Kebijakan Governance [KNKG], 2006; Hermawan, 2011; Nasrum, 2018). Agency theory, as outlined by Jensen and Meckling (1976), highlights potential disagreements of interest between shareholders (principals) and executives (agents). BC plays a crucial role in mitigating these conflicts through effective supervision of managerial performance, thereby safeguarding the interests of shareholders. The company is managed according to the goals that have been set (Wardani & Satyawan, 2022). Effective supervision by BC can enhance the accuracy of financial reporting and influence AQ. With stricter supervision, BC can help reduce the risk of GC opinions, maintain the company's financial stability, and ultimately enhance the quality of audits. Studies by Ejeagbasi et al. (2015), Dwekat et al. (2018), Hassan et al. (2018), and Soliman (2020) supported this, indicating that the performance of BC, as part of the GCG mechanism, can indeed improve AQ.

H1: The performance of BC has a positive impact on AQ.

2.3. Audit committee

Audit committee is essential for upholding the quality and transparency of a company's financial statements. According to agency theory, ACs serve as oversight mechanisms designed to reduce conflicts of interest between shareholders (principals) and executives (agents) stemming from information asymmetry (Jensen & Meckling, 1976). AC is directly accountable for overseeing the accuracy of the company's financial statements and the entire financial reporting process. They must also fulfill the duty of evaluating external auditors regularly (at least annually) and offering well-informed suggestions to the board of directors concerning the hiring, compensation, and retention of external auditors (Grove et al., 2020). In addition, AC also evaluates the internal supervisory system to reduce profit management practices (Hassan et al., 2018). As a result, a more effective AC leads to higher-quality financial and audit reports, decreasing the chances of auditors providing GC assessments. Similarly, the studies of Ejeagbasi et al. (2015), Dwekat et al. (2018), and Soliman (2020) further confirm that the effectiveness of AC affects AQ.

H2: The performance of AC positively influences the AQ.

3. METHODOLOGY

3.1. Data collection

The study utilized descriptive quantitative techniques to provide an analysis of the current situation and factors, based on the most recent data (Astuti et al., 2022). This research considers non-financial Indonesia Stock Exchange (IDX)-listed companies covering the years 2017 and 2018. This selection relied on the following requirements: a) including every non-financial firm, b) availability of complete audited financial data, and c) accessibility to all necessary information for the study.

3.2. Measures

This study examines several variables, namely the effectiveness of the BC and the AC as independent variables, and the AQ as a dependent variable. Meanwhile, the audit tenure (AT), public accounting firm size (PAFS), leverage (LEV), company size (CS), and institutional ownership (INS) as control variables. This research uses variable measurements sourced from various previous studies.

3.2.1. Dependent variables

AQ is assessed using a proxy of GC opinions. This proxy evaluates the degree to which the auditor recognizes and reveals the uncertainty regarding the organization's survival. An accurate opinion or inability to identify material uncertainties is an essential measure in assessing audit quality, with a score of 1 indicating relevant concerns while 0 indicating its absence (Ihwandi, 2018).

3.2.2. Independent variables

These two variables were assessed using a checklist developed by Hermawan (2011), which included relevant parameters. The BC checklist has 17 parameters grouped under four main criteria: independence, operational, size, and competence. Meanwhile, the AC was evaluated using 11 parameters, focusing on its operational aspects, the number of members, and its expertise. Each criterion is rated with a score of 1 (poor), 2 (acceptable), and 3 (excellent), with higher scores indicating optimal performance. This assessment is expected to offer an in-depth understanding of how the competence of these boards affects AQ.

3.2.3. Control variables

The research's control variables were AT, PAFS, LEV, CS, and INS. The auditor's tenure (AT), which refers to how long the auditor has worked with the company, can improve audit comprehension and efficiency. However, it also carries the risk of compromising auditor independence, potentially affecting audit quality (Chen et al., 2008; Jelil et al., 2020; Soliman, 2020; Babatolu et al., 2016). Firms in the top four (Big Four) category of public accounting firms (PAFS) tend to deliver higher AQ and expertise

due to their diversified clientele and robust independence, which helps preserve reputation and avert financial losses. Accordingly, auditors are assigned 1 if the top four and 0 if not (Fadhlan et al., 2023; Soliman, 2020). Using the debt-to-equity ratio (DER) as its metric, *LEV* represents the share of long-term debt compared to equity and serves as input for auditors' GC judgments; higher DER values imply higher risk (Che-Ahmad & Osazuwa, 2016; Giovanni et al., 2020; Ogoun & Perelayefa, 2020). We measure *CS* using the natural log of total assets, which generally correlates negatively with auditors' GC opinions (Sailendra et al., 2020). *INS* is quantified as the proportion of outstanding shares held by institutional owners (Gerged et al., 2020).

3.3. Analysis

Logistic regression analysis was chosen for this study due to its flexibility. It does not assume normality or heteroscedasticity for independent variables within the framework, eliminating the necessity of standard assumption assessments (Bonadilla & Syamlan, 2019). Since the dependent variable in this research is a binary, non-metric scale (GC vs. non-GC), logistic regression is the most appropriate method for this multivariate analysis.

4. RESULTS

4.1. Statistics descriptive

The procedure for choosing the sample was based on the previously established criteria of 150 companies during the observation period of 2017-2018, resulting in a total of 300 samples. Table 1 displays the characteristics of the sample.

Table 1. Sample's descriptive statistics

Variable	N	Min	Max	Mean	Std. dev.
<i>AQ</i>	300	0.0	1.0	0.047	0.2113
<i>BC</i>	300	28.0	45.0	36.367	3.3160
<i>AC</i>	300	11.0	19.0	15.547	1.3167
<i>AT</i>	300	1.0	6.0	3.257	1.4803
<i>PAFS</i>	300	0.0	1.0	0.370	0.4836
<i>LEV</i>	300	0.01	13.3	0.691	1.3520
<i>CS</i>	300	24.1	33.0	29.254	1.5063
<i>INS</i>	300	4.3	100.0	78.362	20.7944

From the results presented, *AQ*, as represented by GC opinion, averaged 0.047 across 300 observations. This indicates that a small proportion, specifically only 4.7%, of the sampled IDX-listed firms during 2017-2018 received such an opinion. The *BC* variable has an average score of 36.367, which reflects the relatively low effectiveness of *BC* in IDX-listed firms during this period. Moreover, there is considerable variation in the performance of the *BC*, as indicated by the substantial gap between the highest and lowest values for this variable. Similarly, the *AC* variable, with a mean of 15.547, indicated relatively low performance for *AC* in IDX-listed companies during the same timeframe, also exhibiting considerable variation. The *AT* variable averaged 3.257, implying that IDX-listed firms typically engaged their auditors for three years. For *PAFS*, the average of 0.370 indicates that 37% of the sampled companies

employed auditors from the Big Four. The *LEV* variable had a mean of 0.691, indicating that the mean debt ratio among the sample firms was below 1. *CS* averaged 29.254, demonstrating substantial variation in the sizes of IDX-listed companies in 2017-2018. Lastly, *INS* had a mean of 78.362, suggesting its significant presence among the sampled firms.

The descriptive analysis of *PAFS* size is presented through the frequency distribution and the explanation that follows.

Table 2. Descriptive statistics of public accounting firm size

<i>PAFS</i>	Frequency	Percentage
Non-Big Four	189	63.0%
Big Four	111	37.0%
Amount	300	100%

As presented in Table 2, out of 300 observations covering IDX firms in 2017-2018, 63.0% involved non-Big Four, while 37.0% involved Big Four. This shows that most of the observations of companies in all sectors listed on the IDX 2017-2018 include observations of companies that do not use the Big Four.

The overview analysis of the *AQ* variables is presented through the frequency distribution and the explanation that follows.

Table 3. Descriptive statistics of audit quality

<i>AQ</i>	Frequency	Percentage
No going concern	286	95.3%
Going concern	14	4.7%
Amount	300	100%

Table 3 indicates that, among 300 firm-year observations of IDX-listed companies in 2017-2018, 95.3% involved companies without GC opinions, while 4.7% involved companies with GC opinions. This shows that most of the observations of companies in all sectors listed on the IDX 2017-2018 include companies without GC opinions.

4.2. Effect selection testing of regression estimation model using Chow test

This study analyzed two models, namely a model without a year variable called the common effect model (CEM) and a model with a period variable called the fixed effect model (FEM). Under the CEM specification, the associations between variables affecting GC opinions are interpreted as pooled averages, with no controls for inter-year variation. Next, the model was estimated with FEM to control for general changes between 2017 and 2018 (e.g., economic or policy conditions), so that the coefficients reflect the influence of independent variables after the cross-year differences are taken into account. A comparison of CEM and FEM was conducted to assess whether ignoring the differences between years affected the conclusions. The Chow test serves to evaluate whether the estimated econometric specification follows FEM or CEM, as described below:

Assumption 1: CEM.

Assumption 2: FEM.

Under the test criterion, when the probability value is \leq the 5% significance level ($\alpha = 0.05$), assumption 1 is rejected, implying that the FEM is preferred for estimating the effects of the independent variables on the dependent

variable. When the probability value is > 0.05 , assumption 1 is not rejected, indicating that the CEM is appropriate (Gujarati & Porter, 2003).

The F-test statistic is computed using the following equation:

$$F = \frac{|SS_{ResCEM} - SS_{ResFEM}| / (t - 1)}{SS_{ResFEM} / [(t \times i) - t - p]} \rightarrow F = \frac{|11.5651 - 11.5925| / (2 - 1)}{11.5925 / [(2 \times 150) - 2 - 9]} = 0.682 \quad (1)$$

where,

$$df_1 = (t - 1) \rightarrow df_1 = 2 - 1 = 1 \quad (2)$$

$$df_2 = (t \times i) - t - p \rightarrow df_2 = (2 \times 150) - 2 - 9 = 289 \quad (3)$$

Table 4. Chow test

Sum of squared residual FEM	Sum of squared residual CEM	F-statistic	df ₁	df ₂	p-value
11.5925	11.5651	0.682	1	289	0.410

Table 4 reports the results of the Chow test for model effects. Based on Table 4, it was obtained that the statistics of the F-test in the Chow test on the model of the influence of the BC, AC, AT, PAFS, LEV, CS, and INS on AQ were valued at 0.682 with a probability of 0.410. The test findings indicate

a probability value $>$ level of significance ($\alpha = 5\%$), so assumption 1 is accepted. Thus, the appropriate logistic regression estimation model based on the Chow test is the CEM with the following equation:

$$AQ = \beta_0 + \beta_1 BC + \beta_2 AC + \beta_3 AT + \beta_4 PAFS + \beta_5 LEV + \beta_6 CS + \beta_7 INS + \varepsilon \quad (4)$$

4.3. Logistic regression analysis

The study's initial quantitative analysis, employing a logistic regression approach to examine the effect of GCG on AQ, confirmed the model's overall fit. The feasibility test of the model (Hosmer and Lemeshow Test) produced a Chi-square statistic of 11.834 with a probability value of 0.159. Since the probability value exceeds the significance level ($\alpha = 5\%$), this suggests that the model satisfies the eligibility criteria. Classification accuracy testing measures the accuracy of the logistic regression model in predicting classification results. This model managed to accurately predict 99.3% of

companies that did not get GC opinions, but only 7.1% predicted companies that got GC opinions. Therefore, this model is effective in predicting the influence of BC, AC, AT, PAFS, LEV, CS, and INS on AQ. The coefficient of determination (Nagelkerke R-square) was obtained as 0.253 or 25.3%. This means that the contribution of the influence of BC, AC, AT, PAFS, LEV, CS, and INS to AQ is 25.3%, while the remaining 74.7% is a contribution from other factors that are not discussed in this study.

A subsequent statistical analysis aimed to assess the individual influence of the BC and AC's effectiveness, AT, PAFS, LEV, CS, and INS on AQ, with the findings shown in Table 5.

Table 5. Individual influence of control variables on effectiveness

Variable	B	Wald	Sig.	Exp(B)
BC	-0.081	0.646	0.422	0.922
AC	0.630	5.142	0.023	1.877
AT	-0.018	0.008	0.928	0.982
PAFS	-2.036	3.422	0.064	0.131
LEV	0.349	7.528	0.006	1.417
CS	-0.063	0.080	0.778	0.939
INS	-0.021	3.121	0.077	0.979
Constant	-6.615	1.019	0.313	0.001

Table 5 evaluated the effectiveness of the BC by analyzing factors such as independence (In), activity (Ac), size (Siz), and competency (Com), producing a result that is statistically meaningful at 0.422 (exceeding $\alpha = 0.05$). These findings suggest that the factors in question do not have a significant impact on the auditor's choice to provide a GC opinion as a measure of AQ. Consistent with this, the analysis of each factor contributing to the BC performance (Table 6) also showed no noteworthy influence on AQ.

Table 6. Statistical analysis

Variable	Sig.
BC _{In}	0.712
BC _{Ac}	0.161
BC _{Siz}	0.212
BC _{Com}	0.649
AC _{Ac}	0.089
AC _{Siz}	0.311
AC _{Com}	0.249

In contrast, the effectiveness of the AC, evaluated based on its activity, size, knowledge, and competence, showed a significant positive effect on AQ, with a score of 0.023 (Table 5), which is below $\alpha = 0.05$. However, when the individual components of the AC performance were analyzed separately (Table 6), no significant impact on AQ was observed for each aspect. Regarding the control variables, *AT*, *PAFS*, *CS*, and *INS*, all had significant values exceeding 0.05, indicating they did not show a substantial effect on the quality of the audit in this model. Conversely, the *LEV* variable displayed a significance level below 0.05, showing a positive effect on AQ.

5. DISCUSSION

The present research showed that the BC's effectiveness, evaluated with reference to independence, activity, size, and competence, did not materially influence auditors' decision to render GC opinions. The agency's theoretical perspective explains that although the BC has supervisory responsibilities, the auditor's decisions are more influenced by the firm's financial health. Although the BC's effectiveness scores across the 300 analyzed data points varied, most companies obtained a medium category score (34-39), indicating good supervision. Only a few companies have low scores (28-33). These variations did not affect the auditors' GC opinions. The issuance of GC opinions is ultimately the auditor's duty and is entirely within their control based on the audit process (DeFond & Zhang, 2014). Thus, auditors' decisions are more influenced by objective financial indicators, such as leverage, which are considered more relevant in assessing the company's survival than internal factors of the BC. These findings align with previous studies that showed that the efficacy of the BC fails to affect the quality of the audit (Talebna et al., 2017) or corporate profit management (Hutapea & Ardianto, 2020). Furthermore, the degree of autonomy of the BC has been shown to exert no impact on tax aggression (Yuliani & Prastiwi, 2021), transfer pricing usage (Sa'diah & Afriyenti, 2021), or tax avoidance (Rahmalya & Muanifah, 2023). That said, these findings are inconsistent with Soliman, (2020), which states that the efficacy of the BC may enhance the quality of the audit.

Conversely, evidence from the study demonstrates that AC performance has a substantial positive influence on the quality of auditing. An effective AC enhances the openness and accuracy in financial reporting and ensures regulatory compliance, thereby reducing the risk of information concealment that could affect auditors' assessments of the entity's survival and decreasing the probability of a GC conclusion. Within the theoretical framework of the agency, the AC functions as a monitoring tool to mitigate conflicts of interest between managers and shareholders arising from information imbalances. Managers, who possess better access to company information, tend to hide financial problems. Therefore, the adequate supervision of the AC helps auditors obtain more transparent and accurate information, reducing uncertainty regarding the company's continuity. These findings are consistent with the view of

Hassan et al. (2018), who suggested that assessing AC efficacy measured by various characteristics offers a clearer understanding of their capacity to address agency conflicts. Hermawan (2011) also highlighted that factors, such as competence, size, independence, and active involvement, contribute to the success of boards and AC, suggesting they should be thoroughly evaluated using scoring or indexing systems for a comprehensive assessment of their efficacy in governance systems. While Table 5 shows a significant positive effect overall, a separate analysis of Table 6 reveals that the activities, competencies, and size of the audit committee have no significant impact on audit quality. These findings are consistent with the results of the research of Ejeagbasi et al. (2015), Anafiah et al. (2017), AlQadasi and Abidin (2018), Dwekat et al. (2018) and Soliman (2020), which found that committees responsible for audits affect AQ but contradict the evidence reported by Hassan et al. (2018).

The test results further indicated that only leverage significantly affected auditors' decisions to issue GC conclusions, while the scale of the public accounting firm, the length of the auditor's engagement, the size of the company, and institutional ownership showed no significant influence. These findings resonate with agency theory, which states that conflicts of interest can arise between managers (agents) and shareholders (principals), especially when managerial decisions escalate company risk. In this context, high leverage reflects an increased use of external funds, which magnifies the risk of bankruptcy. Therefore, auditors tend to give GC opinions in response to the agency's increased risk indicated by high leverage. Case studies on PT Intan Baruprana Finance Tbk (INTA) and PT Central Proteina Prima Tbk (CPRO) empirically strengthen the finding that leverage is the dominant factor in influencing the granting of auditors' GC determinations. In the case of INTA, there was a significant increase in leverage from 3,948 in 2017 to 13,349 in 2018. Although a non-Big Four PAFS audited the company, had a relatively new audit relationship (two years), experienced a decline in institutional ownership from 30,570 to 29,720, and a decline in company size from 29,282 to 29,240, auditors remained consistent in providing GC opinions in both years. Meanwhile, on CPRO, leverage increased from 0.300 to 4.012 in the same period. Although the Big Four PAFS audited CPRO, had a four-year audit engagement, experienced an increase in institutional ownership from 67,460 to 75,040, and a slight decrease in company size from 29,578 to 29,514, the auditor also still gave a GC opinion. Both cases show that despite variations in variables other than leverage, auditors seem to place more emphasis on financial risks reflected in high leverage in determining GC opinions, as described within the agency's theoretical framework. These findings reinforce the principle in agency theory that auditors, as independent parties (DeFond & Zhang, 2014), play a role in mitigating agency risks. High leverage escalates the potential for default, encouraging auditors to express GC conclusions as a warning to stakeholders. Similar findings indicating that audit tenure has no impact on AQ are supported by Alecy and Pangaribuan (2022), Astuti

et al. (2022), Sari and Rahmi (2021), and Fadhlan et al. (2023). The positive effect of the leverage variable on AQ aligns with previous studies by Adeyemi and Fagbemi (2010), Chang et al. (2011), Soliman (2014), and Hadi and Handojo (2017). Previous research by Soliman (2014), Hadi and Handojo (2017), Talebnia et al. (2017), Sumantaningrum and Kiswara (2017), Alhababsah (2019), Rahmi et al. (2019), and Jelil et al. (2020) reported that firm size and institutional ownership did not have a statistically significant effect on AQ.

6. CONCLUSION

This study concludes that the BC's effectiveness is not associated with AQ. However, the AC's role is a critical factor in assessing AQ, with a more effective AC leading to audit reports of superior quality. Within Indonesia's dual-board corporate governance system, the supervisory board operates independently of the management board, meaning the former lacks the authority to appoint or remove director-level members, and the directors are not required to report to that body. The decision to issue a GC opinion is not merely a reflection of the directors' performance; instead, it is chiefly the auditors' responsibility, based on their direct oversight and control process. The audit oversight committee is specifically mandated to oversee the reliability of financial reporting and accountability at the corporate level. Positioned between the management board and the independent auditors, the AC works to alleviate information gaps, streamline oversight, and reinforce the auditors' independence. Additionally, it plays a key role in safeguarding the credibility of the financial reporting function by enforcing rigorous corporate governance structures and promoting GCG principles.

According to this study, the performance of the BC exerts no statistically meaningful effect on AQ. To guarantee the BC's effectiveness, an exhaustive assessment covering the policies governing its characteristics is essential. Regulatory bodies should consider reviewing the policies that regulate the size of the BC, with regard to the necessity to align the board size with the

company's scale. While most companies in the sample have fewer than five board members, there are differences based on the size of the companies. Furthermore, to enhance the BC's competence, it is suggested that the requirements for the board include criteria similar to those for ACs, such as the mandate to have at least one member with a background in accounting or finance. To enhance the BC's effectiveness, companies should be mandated to provide a more detailed report on the outcomes of monitoring the management or directors' performance. In terms of the board's independence, it may be necessary to reassess the requirements concerning the minimum proportion and qualifications of independent commissioners. Additionally, regulatory authorities should reinforce their oversight of companies' adherence to established regulations.

The results of this study also show that the AC exerts a statistically meaningful influence on the quality of audits. These findings underscore the importance of re-evaluating the policies governing ACs to ensure their effectiveness is maintained. About competence, the applicable policy should establish strict qualification requirements, where at least one member of the AC possesses accounting expertise. A background that focuses solely on finance may not be enough to ensure the functions of the board's AC run effectively in improving the quality of audit.

A limitation of this research is the inherent subjectivity involved in the application of checklists for assessing the effectiveness of the BC and ACs. A further challenge is the constraints related to time and resource availability for conducting a content-analytic examination of these checklists. Subsequent research is advised to incorporate content analysis to more thoroughly assess the reliability of checklist-based outcomes. In addition, another limitation to note is that the observation period is limited to only two years, which causes the findings of this study to not entirely reflect the actual conditions related to how effectively the BC and the AC operate. Further research can extend the observation period by more than two years to obtain a more representative picture of the existing conditions.

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